

FEDERAL BUREAU OF INVESTIGATION
FOI/PA
DELETED PAGE INFORMATION SHEET
FOI/PA# 1216590-0

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UNCLASSIFIED

FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE

Date: 05/07/2010

To: Criminal Investigative

Attn: SSA [REDACTED]
Public Corruption Unit,
North Central Region

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Chicago

From: Chicago

WC-3

Contact: SA [REDACTED]

Approved By: [REDACTED]

Drafted By: [REDACTED]

Case ID #: 46F-CG-NEW (Pending)

Title: PHIL PAGANO;
EXECUTIVE DIRECTOR OF METRA;
THEFT OF FEDERAL FUNDS;
U.S. DEPARTMENT OF TRANSPORTATION

Synopsis: To open full investigation of a possible fraud against the United States Government by Phil Pagano, the Executive Director of Metra.

Details: It is respectfully requested that a full investigation pertaining to the above captioned matter be opened and assigned to Special Agent [REDACTED]

GENERAL SUMMARY OF ALLEGATION(S):

On 04/22/2010, allegations surfaced that Phil Pagano, the Executive Director of Metra, has been fraudulently obtaining money from Metra. Specifically, Craines Business News Chicago received information from a reliable source that Pagano had fraudulently given himself a \$56,000 bonus on top of his approximately \$266,000 annual salary.

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By way of background, Pagano is the long-time director of Metra. Metra is the marketing brand name for the commuter train system that runs throughout the Chicago land area. The official name is the Commuter Rail Division which falls under the

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46F-CG-132057-1

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To: Criminal Investigative From: Chicago
Re: 46F-CG-NEW, 05/07/2010

state of Illinois Regional Transportation Authority (RTA). As such, Metra's operating expenses are funded in part by monies received from the United States Department of Transportation. In addition to receiving federal funding, Metra operations extend throughout Illinois and into the states of Wisconsin and Indiana, thereby creating an interstate nexus.

SUMMARY OF PREDICATION:

After learning of the allegations, [redacted] spoke with [redacted] and [redacted] informed [redacted] that he was in possession of documents where [redacted] approved Pagano cashing in accrued vacation time as well as future, unaccrued vacation time. [redacted] did not recall ever approving such measures and did not believe that she had the power to do so. [redacted] provided copies of the documents to [redacted] at which time she believed the documents to be forged.

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On Monday, April 26, 2010, [redacted] called Pagano, who was returning from a vacation in Florida with his wife.

On Tuesday, April 27, 2010, [redacted] met with Pagano in his office. During the meeting, Pagano admitted that [redacted] did not sign the documents. Pagano said he was sick over what he did and he repeatedly apologized to [redacted]. Pagano stated that he wanted to make things right and would repay Metra the money that he took. [redacted] informed Pagano that the situation was out of her control and the Metra Board of Directors would have to be presented with the situation.

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On Tuesday, April 27, 2010, Pagano was asked to leave Metra property and informed that he was to not conduct Metra business until the matter was resolved.

That same day, Metra sought outside legal council to investigate the matter and determine the extent of the loss.

On Friday, April 30, 2010, the Metra Board of Directors met and the board members were presented with the allegations and the investigation up to that point. Pagano also met with the Board of Directors and he admitted to "making this one mistake". Pagano told the board that the "mistake was made not for illegal purposes: not drugs, alcohol, gambling, whatever. It's a personal reason." After listening to the allegations and

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To: Criminal Investigative From: Chicago
Re: 46F-CG-NEW, 05/07/2010

findings, the board voted to place Pagano on paid administrative leave.

On Thursday, May 07, 2010, writer spoke with Special Agent (SA) [REDACTED] U.S. Department of Transportation, Office of Inspector General. The U.S. Department of Transportation was in the process of investigating the extent of the dollar loss and if the money was part of the funds provided by the federal government. SA [REDACTED] reported that the dollar loss was far in excess of what the media was reporting.

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On Friday, May 08, 2010, the Metra Board of Directors was scheduled to meet and receive an update on the internal investigation. It was expected that the Metra Board of Directors was going to vote to terminate Pagano's employment. However, the Board did not meet. At approximately 8:00am CMT, Pagano stepped in front of a moving Metra train and committed suicide. The McHenry County Sheriff's Office investigated the suicide and found multiple suicide notes on Pagano's body and at Pagano's residence. Although the suicide notes did not state what Pagano was doing with money, the notes did state to his family that they would find out things about him that would make them hate him.

The US Department of Education had also received information that Pagano, along Metra, has been engaged in other possibly illegal acts and is politically corrupt. Specifically, the U.S. Department of Transportation received a complaint alleging that many Metra employees have been getting a bonus for vacation time that they really took, that Metra buys rehabilitated locomotive engines downstate/out of state instead of through the local manufacturer, that Metra employees tamper with accident evidence, and that the Metra Board of Directors is comprised of political/strategic appointments that receive lucrative contracts and joint ventures from Metra.

STATEMENT THAT REQUISITE LEVEL OF PREDICATION EXISTS:

Based on the above listed information, there is an articulable factual basis that Pagano, and others yet unnamed, may be involved in criminal activity so as to justify the opening of a full investigation.

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To: Criminal Investigative From: Chicago
Re: 46F-CG-NEW, 05/07/2010

STATEMENT OF AUTHORIZED PURPOSE:

A full investigation will be conducted in order to determine whether a federal crime is being planned or has occurred; identifying, locating, and apprehending possible co-conspirators; and obtaining evidence for prosecution.

FEDERAL VIOLATION:

The above facts and circumstances indicate that Pagano, and others yet unknown, may be involved in violations of Title 18 USC Sec 666, theft or bribe concerning programs receiving federal funds and Title 18 USC Sec. 1343, fraud by wire.

INITIAL INVESTIGATIVE STRATEGY:

1. Conduct all logical interviews of individuals who may have knowledge of the possible misappropriation of federal funds, including Metra officials, associates of Pagano, and anyone else who may have information.
2. Obtain and analyze records, including bank records relating to Pagano, telephone records relating to Pagano, and other documents that may provide information.
3. Open a Federal Grand Jury in order to obtain relevant financial records pertaining to Pagano and the possible misuse of federal funds.

PROSECUTORIAL OPINION:

On 05/07/2010, writer spoke with Assistant United States Attorney (AUSA) [redacted] of the United States Attorneys Office (USAO) in the Northern District of Illinois. AUSA [redacted] had previously been briefed on the matter by the Department of Transportation Office of Inspector General. It is of the opinion of AUSA [redacted] that the allegations merit further investigation. In the event that the necessary evidence can be successfully obtained through the investigation, AUSA [redacted] committed the USAO to the prosecution of the captioned matter.

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To: Criminal Investigative From: Chicago
Re: 46F-CG-NEW, 05/07/2010

LEAD(s) :

Set Lead 1: (Info)

CRIMINAL INVESTIGATIVE

AT WASHINGTON, DC

Read and clear.

♦♦

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FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE

Date: 05/25/2010

To: Chicago

From: Chicago

WC-3

Contact: SA [REDACTED]

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Approved By: [REDACTED]

Drafted By: [REDACTED]

Case ID #: 46F-CG-132057 (Pending) - 2

Title: PHIL PAGANO;
EXECUTIVE DIRECTOR OF METRA;
THEFT OF FEDERAL FUNDS;
U.S. DEPARTMENT OF TRANSPORTATION

Synopsis: To request the opening of subfiles for the captioned investigation.

Details: It is respectfully requested that the following subfiles be opened for the captioned investigation:

Sub 1A	1A Envelopes
Sub BC	Background checks
Sub GJ	Grand Jury materials

♦♦

145 [REDACTED] 01.EC

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 05/25/2010

On Tuesday, May 11, 2010, [REDACTED]
[REDACTED] was interviewed at her office, 547 W.
Jackson Boulevard, Chicago, Illinois.

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Attached and made a part hereof is a copy of a U.S.
Department of Education - Office of Inspector General Memorandum of
Activity which memorializes the interview of [REDACTED]

145 [REDACTED] 01.302

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b7cInvestigation on 05/11/2010 at Chicago, ILFile # 46F-CG-132057Date dictated -3

by SA [REDACTED]

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 05/25/2010

[redacted]
date of birth [redacted] was contacted at her place of business, 547 W. Jackson Boulevard, Chicago, Illinois. After being advised of the identity of the interviewing agents and the nature of the interview, [redacted] provided the following information:

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[redacted] provided the interviewing agents with a transcript of the April 30, 2010 executive session of the Board of Directors of the Commuter Rail Division of the Regional Transportation Authority. The transcript memorializes the statements made by PHIL PAGANO (deceased), former Executive Director of METRA, to the METRA Board of Directors.

Attached and made a part hereof is a copy of the transcript provided by [redacted]

145 [redacted] 04.302

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b7CInvestigation on 05/11/2010 at Chicago, ILFile # ✓ 46F-CG-132057Date dictated 4

by SA [redacted]

CERTIFICATION

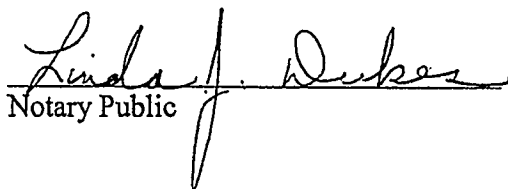
an attorney, being first duly sworn on oath, does hereby certify and state that:

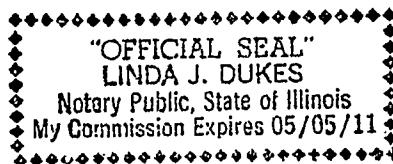
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1. I have listened to statement of Philip A. Pagano (the "Statement") as recorded on the tapes of the April 30, 2010 executive session of the Board of Directors of the Commuter Rail Division of the Regional Transportation Authority;
2. I have overseen and assisted in the preparation of the foregoing transcript of such Statement; and
3. The foregoing is a true, complete, and correct transcript of the Statement based on my best knowledge and belief.



Subscribed and sworn to
Before me this 6th day
of May, 2010.


Notary Public



APPENDIX TO EXECUTIVE SESSION MINUTES, 4/30/2010

**Transcript of Mr. Philip A. Pagano Addressing the
Metra Board of Directors in Executive Session, 4/30/2010**

First of all, I want to deeply apologize to this, first to [] who I want to everyone to know has been most kind in this process in, uh, dealing with me and under this situation. And I want to thank, uh, every one of these Board members here and whoever maybe on the phone and not here, uh, for their understanding and kindness as well.

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It has never, never been my intention to put this agency through what it has been put through. I hope that, uh, you all know who Phil Pagano truly is. This mistake that I made in life is my mistake. Unfortunately, you, the people on Metra who I loved all these many years, and in particular my family, on Tuesday -- which you will imagine was a very difficult day -- to tell my wife and daughters that the person they thought I was may not be all that type of person. For the rest of my life I need to do something to make -- make sure that that image and hopefully be sustained.

I made a mistake. I want the Board to know that the mistake that was made was not for illegal purposes: not drugs, alcohol, gambling, whatever. It's a personal reason -- [] knows particularly. But I'm not going to drag my other family members into this too. It was a situation. But anyway, I -- I did it. I admit to doing it. I believe that I have, eh, tried to the best of my abilities to hold myself and this agency to the highest standards, and in this instance I failed.

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I talk a lot about -- and I truly believe this -- what you and also previous Boards, [] the previous chairmans, and what previous staff people have done. Because they're the ones that count. Uh. I think have, I think, done some things as well to make sure that this agency is held

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to a, to the highest standards possible. As for my own personal things, may it rest in peace. The situation with [] and I were going to go on vacation one time. And I had to go off to work. We didn't go on the vacation. I -- I paid for the airfare. But I said to myself, "Oh yeah that would be great to show on the expense reports that somebody paying your airfare, when you didn't take the vacation time." Or there were dinners with certain people that I didn't think was necessarily want to show on the expense report. So I paid for dinners. Relative to time, I never accounted for every hour of every day. So that's what the process is going to be. Whatever you believe me now, I guess you have to take my word for it.

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I never cheated this agency out of time or things to make up time. Some weren't here. I believe, and I want to say [] -- not to bring him in any situation, 'cause I know he is the longest standing Board member and he was around during those times. When the freight guys went on strike and Amtrak went on strike in subsequent years, and even I had to be on the phone or whatever. I didn't stay at a hotel. I stayed on the couch. And when we went through the unfortunate experience of the previous Executive Director having a heart attack and then kidney failure, the whole Board want to still keep him on, on board, I went through that process. No holidays and so forth. In fairness, I never looked at it as something -- looked at it as something I should do, and I wanted to do, but I never "chalked it up" per se.

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I guess what I'm, as I told [] this morning, uh, from a press perspective what really bothers me is not the mistake that I made, because I did make this mistake and I admit to making this mistake, is being compared to a situation of [] [inaudible]. [] was here at the time. This agency and myself went through hell. There wasn't boxes, there were truckloads of documents, that were sent to the State and the U.S. Attorney's Office. There were scenarios of people thinking "Oh boy, we're going to really grab" -- and [] was part of it as well -- "we're

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really going to grab them on how they lay the tracks and how they do this." And the bottom line was, there wasn't one stick of information out of all of it that the U.S. Attorney's Office did or had. They interviewed staff people on procedures and processes. Frankly, I think they were after me, and the only interview, the only item I got resurrected on was [] [inaudible] had on his file a letter from some contractor I never even heard of before about a trip that I was supposed to be making with some low-level engineering firm guy on our staff, I mean he wasn't [inaudible]. I finally, when I saw the name I had to figure out who, I went to [inaudible] who it was, and it was somebody on the third-tier that supposedly uh, uh, we were going to, we had went to some Las Vegas show in which I denied making it and it never got resurrected again. But that's what I've tried to the best of my abilities to do.

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Many of you are in the political side of things and are aware of the processes. Had there been pressures placed on this agency? On me as an individual? As me as Executive Director? I'll be the first to say you're damn right there has been. But I'll be also the first to say that my record is open. You want to look at my expense accounts? God Bless you, you look at my expense accounts. You want to look at any contracts I've particularly administered? God Bless you, go ahead and look at those, those contracts. This is something to this day, I can't honestly believe I did, but I did it. I hope that you could recognize in making your decision to look at, the full record should be looked at. I'm more than willing, as I told [], to--

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Would I like to work? Absolutely. I understand that I'll be working at nothing for awhile. I told [] I'll sign a promissory note on the money I owe back. Relative to this eleven weeks or whatever, I will tell you, I mean, this wasn't invented. There were meetings where [] came in and said the Board decided to get vacation to you whenever. I'm not too sure it was signed and I'll be honest with you I think it was some that was, some that wasn't. I, I, --

It was a process, and I know for the many of the newer Board Members, and again, I don't want to put [] on the spot here, but you know, this was Board Members that were around for a bit: fifteen-, twenty-year kind of a scenario that -- and they did what they did. There was no tape recordings of meetings or whatever. So, I just wanted to let you know that outside of this deed that I did, which was terrible, it was a mistake, whatever I say cannot make amends for what I did. There is nothing that, uh, I'm afraid of that will come out this process that will embarrass [inaudible], you as Board Members, in some ways -- please don't take out of context -- the Staff that I've grown to love and respect, and more importantly, myself, and I hope you know that.

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As I told [] this morning, they want to go through my desk, they want to go through my files, God bless them. Do whatever you need to do on that. I will have to say that, uh, time sheets that or whatever that were put together I may have come to a point of, I'll be the first to say, I mean, you know, was every little thing on it okay? Okay. For everybody. I don't even know what Staff was, I never have to, I guess my attitude was I never had to worry about it, and I want you to know you didn't have to worry about it. But I did, I don't want to diminish in any way, shape, or form that I made a terrible, terrible mistake. I put you and everybody else, and more importantly, my family in an unbelievable position and I'm here to the best of my abilities to make amends to that.

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But whatever you decide, it's been an honor to have served this agency. There are, as I told [] unbelievable people here, and the words I used at meetings and other events about how good people are, and previous Board Members are, and how good the Staff is, isn't just B.S., it's, it's the truth. They have devoted themselves to -- to a lot of different things and, in fact, put up with me, because I'm sure as many of you know, I sometimes scream and holler. But I told [] this morning that in February when we had the incident with conductors, you

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know, not getting off the train and doing what they were supposed to do, talking about heard me scream as I went out on weekends in the middle of the night on various rail lines to kind of see what these conductors were doing and reporting back to what they were or weren't doing. I say that because, not to say that "Oh yeah, Phil is saying he's always working these extra hours." It was part of my job, it was part of my job and what I supposed to do, and all the benefits and everything else that this Board and the previous Board gave me was part of what I had to do and -- but again, I'm rambling.

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The bottom line is, I deeply, deeply apologize for putting everyone here in the situation that they were in, that I made a mistake, and I've always said to others, "You're not God, you make a mistake." Whatever you think is appropriate, I will pay the price. Again, I look forward to being a better person than what I am right now, so [inaudible].

[At which time Mr. Pagano was excused from the executive session, which continued in his absence.]

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AGREEMENT

This AGREEMENT is entered into as of this _____ day of _____, 2010, by and between the **COMMUTER RAIL DIVISION of the Regional Transportation Authority**, an Illinois unit of local government created and existing pursuant to the Regional Transportation Authority Act, 70 ILCS 3615 ("**Metra**"), and **PHILIP A. PAGANO ("**Pagano**")**.

SECTION 1: Recitals.

A. Metra operates a commuter rail system for northeastern Illinois pursuant to Article III-b of the Regional Transportation Authority Act, 70 ILCS 3615. In furtherance of its activities, Metra has retained Pagano as its Executive Director pursuant to 70 ILCS 3615/3B.05.

B. The Commuter Rail Board of Metra (the "**Metra Board**") has the right to appoint, retain, and dismiss the Executive Director.

C. Certain matters have been presented to the Metra Board that require the Metra Board to review or otherwise investigate the performance of Pagano as Executive Director. The outcome of such review or investigation may result in the dismissal or retention of Pagano as Executive Director.

D. In order to permit the Metra Board to review or investigate Pagano's performance objectively and without disrupting the commuter rail service of Metra, it is hereby agreed that it is in the best interests of Metra and Pagano, as well as the general public within northeastern Illinois, to place Pagano on administrative leave in accordance with the terms and conditions hereinafter set forth.

SECTION 2: Terms of Administrative Leave.

A. Pagano and Metra hereby agree that Pagano shall immediately be placed on administrative leave with pay for a period of not more than 60 days unless the parties otherwise agree in writing to a longer period (the "**Leave Period**"). Such administrative leave shall be subject to the following terms and conditions:

- i. During the Leave Period, Pagano shall not conduct or purport to conduct any business on behalf of Metra, including without limitation having any contact with Metra employees about Metra business (including any investigation that Metra may undertake or may cause to be undertaken). Notwithstanding the preceding sentence: (a) Pagano shall make himself available during regular business hours for consultation with the Chairman of the Metra Board for purposes of ensuring that Metra business proceeds without disruption or impediment during the Leave Period; and (b) upon the express written direction executed by the Chairman of the Metra Board and at least one other Metra Board member, Pagano shall sign any documents on behalf of Metra but only to the extent of such direction. During the Leave Period, Pagano agrees to remain within the corporate limits of the Regional Transportation Authority ("**RTA**") during regular business hours of Metra, unless otherwise authorized in writing by the Chairman of the Metra Board.

- ii. Immediately upon the commencement of the Leave Period, Pagano shall deliver to the Chairman of the Metra Board all property that Pagano holds, maintains, or controls that belongs to Metra, including without limitation keys, credit or debit cards, vehicles, identification cards, telephones and related electronic equipment, computers (including passwords), files, and records.
- iii. During the Leave Period, Pagano shall not enter upon any Metra property (other than Metra's commuter facilities for purposes of Pagano's personal transportation), unless such entry is pursuant to the express written request of the Chairman of the Metra Board.
- iv. During the Leave Period, Pagano shall continue to receive his regular compensation.
- v. Pagano shall be deemed to be in attendance each work day during the Leave Period unless he is otherwise authorized to be outside the corporate limits of the RTA pursuant to Section 2.A.i of this Agreement.
- vi. During the Leave Period, to the extent that there is a need to delegate authority of the Executive Director, Metra and Pagano acknowledge and agree that Pagano delegates all such authority of Executive Director to such person or persons as the Chairman of the Metra Board may designate from time-to-time.

Any violation of the terms of the administrative leave by Pagano shall be a violation of his employment responsibilities and shall subject Pagano to any penalties or other consequences as are ordinarily available to Metra when terms of employment are violated (including without limitation dismissal). In addition, any violation of the terms of this administrative leave by Pagano shall be deemed a resignation by Pagano of his position as Executive Director, which resignation the Metra Board may accept in its discretion pursuant to a resolution approved by a majority vote of the Metra Board within 30 days after the Metra Board receives notice of such violation.

B. Nothing in this Agreement shall preclude Metra from exercising its statutory authority to dismiss Pagano from his employment as Executive Director at any time.

C. Nothing in this Agreement shall preclude Pagano from exercising his rights to resign as Executive Director at any time.

D. To the extent that Pagano is subject to any terms or contracts of employment, the parties agree that nothing in this Agreement is intended to affect any such terms or contracts of employment.

Section 3: Severability. The provisions of this Agreement are fully severable. Therefore, if any provision of this Agreement is for any reason determined to be invalid or unenforceable, such invalidity or unenforceability will not affect the validity or enforceability of any of the remaining provisions.

Section 4: Entire Agreement/Integration. This Agreement constitutes the sole and entire agreement between Pagano and Metra with respect to the subjects addressed in it.

Section 5: Waiver; Amendment. No waiver, modification, or amendment of any of the provisions of this Agreement shall be valid and enforceable unless in writing and executed by Pagano and the Chairman of the Metra Board.

[Signature page to follow.]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be signed below.

PHILIP A. PAGANO

COMMUTER RAIL DIVISION of the Regional
Transportation Authority

By: _____

Its: _____

ATTEST:

By: _____

Its _____

9369838_v3

CERTIFICATE

1. Philip A. Pagano is the Executive Director of the Commuter Rail Division of the Regional Transportation Authority and the Northeast Illinois Regional Commuter Railroad Corporation (both d/b/a "Metra").
2. The Executive Director of Metra is afforded all benefits, including health and welfare benefits, available to non-contract employees of the corporation on terms and conditions that are, at a minimum, no less than those provided to such employees.
3. It is the employment policy of Metra to allow employees, in certain circumstances, the opportunity to be paid for vacation time they are unable to use, in lieu of carrying over this time into the next year. The Executive Director of the Commuter Rail Division is covered by this policy.
4. Pursuant to the authority to set the compensation for the Executive Director granted to me by the Commuter Rail Board, the Executive Director has been, and continues to be authorized to be paid for all unused vacation time in lieu of carrying this time forward into any calendar year. This authorization shall remain in place unless specifically revoked.
5. The officers authorized to approve, execute and implement this provision include the Executive Director, the Chief Financial Officer, and any other officer designated by the Executive director.



Date

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Memorandum

To: 

Date: January 11, 2010

From: Philip A. Pagano
Executive Director 

Subject: Vacation

The purpose of this memorandum is to request that I be paid for my 2011 vacation of ten (10) weeks of vacation time. Your efforts in handling this are appreciated.

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Memorandum

To:

Date: June 12, 2009

From: Philip A. Pagano
Executive Director

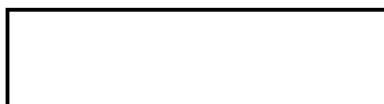
A handwritten signature in black ink, appearing to read "Philip A. Pagano", is written over the name and title of the sender.

Subject: 2010 Vacation

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The purpose of this memorandum is to request that I be paid for my 2010 annual allotment of eleven (11) weeks of vacation time.

Your efforts in handling this are appreciated.



- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 05/25/2010

On Tuesday, May 11, 2010, the McHenry County Sheriff's Police Department, McHenry County, Illinois, was contacted regarding the captioned investigation.

The McHenry County Sheriff's Police Department responded to and is responsible for the death investigation of PHIL PAGANO on Friday, 05/07/2010. PAGANO is the subject (deceased) of captioned investigation.

The McHenry County Sheriff's Police Department provided copies of all suicide notes left by PAGANO. Attached and made a part hereof are copies of all documents provided by the McHenry County Sheriff's Police Department.

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145 [] 02.302

Investigation on 05/11/2010 at Chicago, ILFile # 46F-CG-132057Date dictated by SA

- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 05/25/2010

Detective [] McHenry County Sheriff's Department, Criminal Investigations Division, 2200 N. Seminary Avenue, Woodstock, Illinois, was contacted telephonically at his business telephone number, []. After being advised of the identity of the interviewing agent and the nature of the interview, [] provided the following information:

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[] is the lead investigator for the death investigation of PHIL PAGANO, former Executive Director of METRA who died in an apparent suicide on Friday, May 07, 2010.

[] advised that one of the suicide notes that PAGANO left for his wife was written on the backs of account statements for a checking account with Fifth Third Bank. [] provided copies of the account statements via facsimile.

[] stated that toxicology reports were ordered for the death investigation of PAGANO. Once the coroners office has completed the death report, [] will forward a copy to FBI Chicago.

The McHenry County Sheriff's Department has not received any information from anyone in the community that may have information on PAGANO, either in the positive or the negative.

Attached and made a part hereof are copies of the bank statements that [] provided via facsimile.

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Investigation on 05/25/2010 at Chicago, IL (telephonically)

File # 46F-CG-132057

Date dictated -6

by SA []

**McHenry County Sheriff's Department
(Criminal Investigations Division)**

2200 N. Seminary Avenue

Woodstock, IL 60098

(815)334-4750

Fax: (815)338-5734

FAX COVER SHEET		
DATE:	05/25/10	
NAME OF RECIPIENT:		
RECIPIENT'S FAX NUMBER:		
FROM:	Det.	McHenry County Sheriff's Dept. (Criminal Investigations Division)
REGARDING:	Phillip Pagano	
TOTAL NUMBER OF PAGES INCLUDING THIS PAGE:		5
MESSAGE: As you requested, I am supplying you with copies of the Pagano financial statements recovered from his home. If you have any questions or need anything else please don't hesitate to call me at		

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If you do not receive all the pages indicated above, please contact the sending party as soon as possible at (815)334-4750.

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 05/20/2010

[redacted] date of birth [redacted] Social Security Account Number [redacted] business telephone number [redacted]
[redacted] was interviewed at his place of business, 547 W. Jackson, Chicago, Illinois 60661. Also present during the interview were Special Agent [redacted] U.S. Department of Transportation Office of Inspector General, attorney [redacted] who is representing [redacted], and attorney [redacted]

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After being advised of the identity of the interviewing agents and the nature of the interview, [redacted] provided the following information:

Prior to the start of the interview, [redacted] was read his Garrity Rights by Special Agent [redacted]. After being read the document, [redacted] was provided with a copy of the document. [redacted] then voluntarily signed the document in front of the interviewing agents, thereby waiving his Garrity rights.

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[redacted] began working for METRA in approximately [redacted] initial job title was [redacted]. His title was later changed to [redacted] current job title is [redacted]. As such, [redacted] is responsible for [redacted] including [redacted] [redacted] is responsible for [redacted] and [redacted] PHIL PAGANO, the Executive Director of METRA who is now deceased.

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As [redacted] for METRA, [redacted] METRA has an established Employee Benefits Committee that is comprised of various levels of METRA employees. Some of the benefits offered by METRA to its employees are a 457 retirement plan, a 401(k) retirement plan, and a split-dollar life insurance agreement plan.

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The 457 retirement plan was already in effect when [redacted] began working at METRA. The administrator of METRA's 457 plan is the Hartford Investment Group. Internally, METRA

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b7CInvestigation on 05/20/2010 at Chicago, ILFile # 46F-CG-132057 -7Date dictated by SA [redacted]

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Continuation of FD-302 of [REDACTED]

, On 05/20/2010, Page 2

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maintains an administrative review committee, comprised of three METRA employees that periodically reviews the 457 plan.

[REDACTED]

METRA's 457 plan is open to all METRA employees.

METRA began funding a 401(k) retirement plan for its employees in approximately 1989. The 401(k) retirement plan is approved by the U.S. Internal Revenue Service (IRS). The administrator of METRA's 401(k) plan is the Principle Financial Group. Under the plan, employees of the Illinois Regional Transportation Authority (RTA), PACE (Chicago's suburban bus system), and the Northeast Illinois Regional Commuter Railroad Corporation (METRA), are allowed to make contributions to their respective 401(k) accounts. METRA's 401(k) plan is open to all METRA employees. METRA has two different ways in which it invests in individuals 401(k) retirement accounts. Higher level employees of METRA receive direct contributions to their 401(k) accounts from METRA. The amount is a specified amount depending on the grade level of the employee. Exhibit A of METRA's 401(k) plan lays out the specific dollar amount that METRA contributes to each level of employee. All other METRA employees, other than the top executives, receive matching contributions into their 401(k) accounts. Each employee can contribute a certain percentage or dollar amount of their salary into their 401(k) account, and METRA matches the contribution up to a certain percentage.

Up until approximately 1999, PAGANO, along with [REDACTED] received direct contributions from METRA to their 457 plans. Sometime in 1999, PAGANO and [REDACTED] requested that the employer contributions made by METRA begin to be invested in their 401(k) retirement accounts and not their 457 plans.

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PAGANO, being the Director of METRA, was at the highest pay grade and therefore received the largest direct contribution to his 401(k) account.

METRA established a deferred compensation package for PAGANO in approximately 1986. Under the terms of the package, METRA invested approximately \$6,000 per year into the investment account. That money, along with any earnings and/or interest gained, was placed into a trust called the Amalga Trust at Amalgamated Bank of Chicago. Once PAGANO turned 40 years of age, a Cost of Living Allowance (COLA) was added on top of the

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Continuation of FD-302 of [REDACTED], On 05/20/2010, Page 3

approximately \$6,000 per year that METRA was already investing. The amount of the COLA varied by the year. When PAGANO turned 60 years of age in February 2010, the account reached it's full maturity. In February 2010, the account was worth approximately \$622,000 which included the deferred compensation invested by METRA as well as the interest earnings.

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As the Executive Director of METRA, PAGANO was also the recipient of a split-dollar life insurance agreement. METRA's Board of Directors, [REDACTED] approved the measure. The plan was set up through Prudential/Weiner Agency. Initially, METRA contributed approximately \$15,000 per year to PAGANO's split-dollar life insurance agreement. Once PAGANO reached a certain age, which was approximately 45 or 50 years old, METRA began contributing approximately \$28,000 per year. When the plan was first created, the financial statements were sent directly to METRA. However, since PAGANO had direct control of how the money was being invested, METRA began having the statements sent directly to PAGANO. When PAGANO turned 60 years of age in approximately February 2010, his split-dollar life insurance agreement was worth approximately \$334,000.

Under the terms of agreements of PAGANO's deferred compensation package and his split-dollar life insurance plan, PAGANO was allowed to borrow money against both accounts. The program initially required that PAGANO make annual or semi-annual payments on the interest of any money that he borrowed. In approximately 2007, a study was done and METRA determined that interest on money borrowed did not have to be paid on annual or semi-annual increments. The interest rate was based off of the U.S. simple interest rate. Any balance that PAGANO still owed at age 60 would be paid off once the accounts were cashed in. The collateral to secure the loans was PAGANO's annual salary earnings, life insurance policy, and 401(k) investments.

[REDACTED] no longer recalls the initial ceiling that PAGANO was allowed to borrow against, but he estimates that it was between \$100,000 and \$150,000. Over time the borrowing ceiling was increased. In approximately May 2008, the borrowing ceiling was at approximately \$765,000. It is [REDACTED] understanding that the borrowing ceiling was repeatedly increased over time at PAGANO's request. PAGANO was borrowing against the accounts and would periodically ask the METRA Board of Directors to increase the borrowing ceiling. Initially, PAGANO started out borrowing a small

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Continuation of FD-302 of [REDACTED]

, On 05/20/2010, Page 4

dollar amount. However, in recent years, PAGANO's borrowing against the accounts significantly increased.

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The most recent increase in the borrowing ceiling that [REDACTED] recalls was in approximately May 2008. The requested increase was approximately \$140,000. At that time, [REDACTED] a study to determine whether or not PAGANO had sufficient funds to cover the increased loan amount. [REDACTED] provided a copy of the study to PAGANO and [REDACTED] for METRA. Based on his analysis, [REDACTED] determined that there were sufficient securities in place for METRA to be covered in the event that PAGANO defaulted on the loan amount. However, [REDACTED] had personal concerns about the dollar amount that PAGANO was requesting. [REDACTED] met with PAGANO and voiced his concerns. [REDACTED] suggested to PAGANO that maybe he should borrow an amount smaller than the \$140,000 request.

In total, including money that PAGANO borrowed on the accounts and interest accrued on the borrowed money, PAGANO owed approximately \$838,000. When PAGANO turned age 60 in February 2010, he cashed out both accounts. PAGANO's deferred compensation account contained approximately \$622,000. PAGANO's split-dollar life insurance plan was worth approximately \$334,000. The two accounts combined total gross worth was approximately \$956,000. After withholding taxes, the total cash out value was worth approximately \$712,000. After that money was used to pay off PAGANO's loans, PAGANO still owed approximately \$126,000. The interest rate for the outstanding balance was set at 0.81%. The outstanding balance was set to be due by February 2012.

In approximately February 2010, PAGANO's 401(k) investment account and his 457 account each contained approximately \$125,000. PAGANO inquired if he could cash out one of the accounts to repay the amount he owed on his deferred compensation account and split-dollar life insurance plan. [REDACTED] informed PAGANO that neither account could be cashed out for such purposes.

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METRA has a policy in place where employees of METRA can cash out accrued vacation leave. The policy was initially created so that employees who were unable to use their vacation time due to the needs of METRA did not end up losing the vacation time. Under those circumstances, the employee could either request that the unused leave be carried over to the next fiscal year or that the unused vacation time be cashed out. Various executives of METRA have cashed out portions of their accrued vacation time on

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occasion. The amounts were for several days or two weeks of vacation time. No other METRA executives were cashing out vacation time like PAGANO was.

PAGANO has been cashing out his full vacation time annually since at least 2000. In approximately June 2009, [REDACTED] received a memo from PAGANO. The memo requested that PAGANO be allowed to cash out his 2010 vacation time. [REDACTED] felt that this was an extremely unusual request as PAGANO was requesting payment for vacation time that had not yet been earned or accrued.

On approximately June 15, 2009, [REDACTED] called PAGANO to discuss the request. [REDACTED] took notes based on their discussion because the request by PAGANO was so unusual. PAGANO told [REDACTED] that he would be going to [REDACTED] and getting her signature for approval of the request. PAGANO also told [REDACTED] that he needed the money quickly.

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On approximately June 16, 2009, METRA cashed out PAGANO's unaccrued 2010 vacation time, which was worth approximately \$56,000. The total dollar amount was wire transferred to PAGANO's bank account at Fifth Third Bank. [REDACTED] believes that the money was transferred to the same account that PAGANO's salary was direct deposited to. The wire transfer was approved by [REDACTED] as any financial request over \$10,000 required two signatures, one being [REDACTED]. At that time, [REDACTED] expressed his concerns over the approval of the cash out.

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Over the next several months, [REDACTED] followed up with PAGANO regularly and requested the signed document by [REDACTED] that authorized PAGANO to cash out the leave. Each time he was asked about the document, PAGANO would reply that he had forgotten and that "he needed to get to that." On one occasion, [REDACTED] asked about the document and PAGANO began shuffling papers around on his desk like he was looking for the signed document but couldn't find it.

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In approximately January 2010, PAGANO provided [REDACTED] with a copy of a memo signed by himself and [REDACTED] that granted authorization for PAGANO to cash out his unaccrued 2010 vacation time. At the same time, PAGANO provided [REDACTED] with a second memo signed by himself and [REDACTED] which granted authority for PAGANO to cash out his unaccrued vacation time for 2011.

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[REDACTED] provided copies of both documents to [REDACTED] did not approach DORIS to discuss his concerns because he felt that if the Executive Director of METRA (PAGANO) was saying that the requests were approved, then everything was ok. [REDACTED] had no reason not to believe PAGANO.

In approximately 2008, METRA instituted a policy where employees could cash out a portion of their accrued sick leave time. Once the measure was approved, PAGANO began to cash out his sick leave.

As the Executive Director of METRA, PAGANO maintained business expense accounts and utilized business credit cards for business related expenses. Up until approximately 2005, PAGANO used an American Express credit card in his name to pay for business related expenses. In addition to PAGANO, other METRA executives were allowed to use the credit card for business expenses. Each month, PAGANO would have to break down the credit card bill and reimburse METRA for any expenses that were personal in nature. METRA periodically conducted internal audits to make sure that non-business related expenses were not being paid for by METRA. To [REDACTED] knowledge, no issues or discrepancies were ever raised.

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In approximately 2005, METRA began issuing the Pro Card to its executives. The Pro Card had numerous controls on it and was to be used for business related expenses. The Pro Cards were managed by [REDACTED]

[REDACTED] was only aware of two questioned expenses by PAGANO. One was a charge at the Kohler Spa/American Club and the other was for a plaque that was purchased for a retiring METRA employee. Both questioned expenses were reimbursed to METRA by PAGANO.

[REDACTED] does not know why PAGANO needed all of the money or what he was doing with the money. [REDACTED] recalled one conversation he had with PAGANO where PAGANO told him that he was investing in a family member's business. PAGANO said that the family member was opening a cheese theme franchise restaurant. [REDACTED] does not know the relationship of the family member and does not know anything about the restaurant, other than it was possibly a state of Ohio based franchise.

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[REDACTED] is aware of the [REDACTED] certificate. It is [REDACTED] understanding that the [REDACTED] certificate is a

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Continuation of FD-302 of _____, On 05/20/2010, Page 7

document that states that METRA's business practices, including PAGANO being allowed to cash out his vacation time whenever he chooses, is consistent with the procedures put in place when _____ was the Chairman of the Board for METRA. _____ was in possession of an unsigned copy of the _____ certificate. _____ has also seen a second copy of the _____ certificate that was also unsigned but had a note from either himself or _____ that stated that PAGANO had the original signed copy. _____ has never seen a signed copy of the document. _____ is aware that _____ has been concerned as to the authenticity of the authorization and has been attempting to determine whether a signed copy exists. _____ has seen a similar certificate granting PAGANO authority to cash out his accrued vacation time whenever he chooses that was supposedly signed by _____

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_____ thought that he knew PAGANO extremely well. When _____ PAGANO was one of the first people he called. _____ did not socialize with PAGANO outside of work. PAGANO enjoyed playing golf but _____ PAGANO and _____ along with _____ Although _____ did not personally see any problems, he has heard that there may have been friction between PAGANO and _____ has heard from other METRA employees that PAGANO may have had extra-marital relationships. One relationship may have been with _____ who is _____ believes the affair took place before _____ and is not sure that it was PAGANO who may have been having an affair with _____

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_____ does not know of any friends or associates that were close to PAGANO. _____ thought that PAGANO and _____ who both lived in Crystal Lake, Illinois, were close. However, _____ told _____ at PAGANO's funeral that he only socialized with PAGANO once or twice a year.

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PAGANO appeared to have a close working relationship with _____ who is _____ PAGANO also worked with the CARMEN GROUP, a Washington, DC lobbying firm that assisted METRA with governmental affairs. PAGANO also worked with _____ but _____ does not know how close the two were outside of work.

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From _____ perspective, PAGANO appeared to live within his financial means. PAGANO's most recent vehicle was a

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Volkswagen convertible. Prior to that, he drove an Infinity G37 coupe. In the 1990's, PAGANO drove a corvette.

_____ is not aware of PAGANO removing money from any METRA accounts or funds, other than his own personal accounts. _____ is not aware of PAGANO shifting money from METRA financial accounts to conceal improper use of funds or to conceal missing funds.

_____ does not believe that anyone else in METRA acted improper. _____ believes that PAGANO felt that he was acting properly and within the scope of the law and METRA rules, until he forged the authorizations for the cashing out of his unaccrued vacation time. PAGANO had always stressed that METRA have controls and oversight in place to safely monitor METRA's operations and finances.

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_____ believes that all investigations into METRA, including the internal audits and external federal investigations, will show that no one other than PAGANO acted improperly and that no money other than PAGANO's personal accounts is missing or was improperly used.

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 05/18/2010

[redacted] date of birth [redacted]
 Social Security Account Number [redacted] business telephone
 number [redacted] business address 547 W. Jackson, Chicago,
 Illinois, was interviewed at his attorney's office, [redacted]
 [redacted] Chicago, Illinois,
 business telephone number [redacted] Also present during the
 interview was Special Agent [redacted] U.S. Department of
 Transportation Office of Inspector General and [redacted] attorney,
 [redacted] After being advised of the identity of the
 interviewing agents and the nature of the interview, [redacted]
 provided the following information:

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Prior to the start of the interview, [redacted] was read his
 Garrity Rights by Special Agent [redacted] After being read the
 document, [redacted] was provided with a copy of the document. [redacted]
 then met privately with his attorney and then voluntarily signed
 the document in front of the interviewing agents, thereby waiving
 his rights.

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[redacted] received an undergraduate degree from the
 [redacted] in approximately [redacted]
 received a [redacted] in
 approximately [redacted]

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[redacted] began working for METRA in approximately [redacted]
 [redacted] During his tenure with METRA, [redacted] has held multiple
 positions, including [redacted] from approximately
 [redacted] to [redacted]
 [redacted] from approximately [redacted] to [redacted]
 [redacted] from approximately [redacted] to
 [redacted] and [redacted] from approximately
 [redacted] to [redacted] From [redacted] to present, [redacted] has been
 the [redacted] and has [redacted] PHIL
 PAGANO, the Executive Director of METRA.

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Approximately three to four weeks ago, [redacted] was
 approached by [redacted]
 [redacted] informed [redacted] that [redacted] Crain's
 Business News Chicago, was reporting that PAGANO gave himself a
 \$56,000 bonus in approximately August 2009. [redacted] reported the

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Continuation of FD-302 of [REDACTED], On 05/18/2010, Page 2 b6 b7C

information to [REDACTED] who told [REDACTED] to report the matter to [REDACTED]

[REDACTED] told [REDACTED] that she had asked PAGANO about the allegation and PAGANO denied giving himself a bonus.

[REDACTED] contacted [REDACTED] and told him that PAGANO denied giving himself a bonus. [REDACTED] was adamant about the allegations and stated that the information came from a very good source. [REDACTED] asked [REDACTED] if they were talking semantics and was there a difference between a bonus and the cashing out of vacation leave. b6 b7C

[REDACTED] then approached PAGANO a second time and PAGANO again denied giving himself a bonus and stated that he would take a lie detector test.

[REDACTED] told [REDACTED] that he would speak to PAGANO about the matter. On approximately Friday, April 16, 2010, [REDACTED] met with PAGANO in PAGANO's office. [REDACTED] told PAGANO that [REDACTED] was referring to a bonus or the cashing out of vacation leave. [REDACTED] reminded PAGANO that he had cashed out vacation leave in approximately June 2009. PAGANO responded to [REDACTED] that he had forgotten about that. PAGANO asked [REDACTED] to relay to [REDACTED] that he would respond to [REDACTED] questions after returning from vacation. [REDACTED] informed [REDACTED] of the conversation he had with PAGANO and [REDACTED] appeared concerned. b6 b7C

On approximately Friday, April 23, 2010, [REDACTED] received a telephone call from [REDACTED] who had received a telephone call from [REDACTED]. [REDACTED] told [REDACTED] that she had received a telephone call from [REDACTED] and that [REDACTED] inquired about a bonus that PAGANO had received. [REDACTED] was confused about the questions because the board had voted not to raise management salaries or give bonuses for the year. [REDACTED] told [REDACTED] that [REDACTED] had authorized PAGANO to cash in vacation leave in approximately June 2009 and again in the past several months. b6 b7C

On approximately Monday, April 26, 2010, [REDACTED] received a telephone call from [REDACTED] told [REDACTED] about the [REDACTED] inquiry and asked him what he knew about the matter. [REDACTED] told [REDACTED] that he had spoken to PAGANO about the matter and that [REDACTED] had signed off on the requests. After speaking to [REDACTED] scanned four documents and then emailed them to [REDACTED]. The first document was a 2005 ordinance that stated that [REDACTED]. b6 b7C

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Continuation of FD-302 of _____, On 05/18/2010, Page 3b6
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_____ has the power to set executive salaries. The second document was an authorization form with _____ signature allowing PAGANO to cash out vacation leave whenever he wanted to do so. The third document was a June 2009 METRA memo authorizing PAGANO to cash out his 2010 vacation time. The fourth document was a January 2010 METRA memo requesting that PAGANO be allowed to cash out his 2011 vacation time. Both the June 2009 memo and the January 2010 memo had what appeared to be _____ signature on them, thereby authorizing a payout of vacation time to PAGANO.

On approximately Tuesday, April 27, 2010, _____ met PAGANO for coffee prior to the start of the workday. _____ stated that it was routine for the METRA executives to meet for coffee. The discussion was related to routine Metra business.

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That same morning, _____ met with _____ and discussed the _____ inquiry as well as a separate inquiry concerning a Freedom of Information Act request relating to how METRA conducts business with contractors. _____ stated to _____ that she hadn't slept the night before because she was distraught over the documents that _____ had forwarded to her.

_____ had no recollection of ever signing the June 2009 or January 2010 memo's authorizing PAGANO to cash out vacation time. _____ told _____ that she could not say with complete certainty that she did not sign the documents, because the signatures did look like her signature. However, _____ stated that she maintained files at home relating to METRA business and that she was unable to locate copies of the documents in her file. If she had signed and authorized them, _____ believed that copies would have been maintained in her files. _____ stated that if she had in fact authorized the cash outs by PAGANO, she was prepared to resign from the board.

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_____ also met with PAGANO in his office. _____ provided copies of the documents that he had previously forwarded to _____

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_____ was aware that _____ and PAGANO were going to meet to discuss the inquiry being made by _____. After a period of time, _____ had not heard from either PAGANO or _____ so _____ called PAGANO's office. PAGANO's assistant answered the telephone and told _____ that PAGANO was in a closed door meeting with _____

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Continuation of FD-302 of [REDACTED], On 05/18/2010, Page 4 b6 b7C

A short time later, [REDACTED] received an email from the Board of Directors secretary stating that a special board meeting was being scheduled to address the financial irregularities involving PAGANO and to recommend the hiring of [REDACTED] to act as an outside council for METRA and to investigate the matter.

[REDACTED] then received a telephone call from [REDACTED] and the two met in [REDACTED] office. [REDACTED] stated that she met with PAGANO and he had told her that she did not sign the documents. [REDACTED] stated that PAGANO told her that he placed her signature on the documents authorizing him to cash out his vacation time. PAGANO stated that a family situation made him do it and it was a stupid thing to do. PAGANO wanted to execute a promissory note where he would agree to pay back the money. [REDACTED] stated that she told PAGANO that there was nothing she could do and that proper steps had to be taken, including bringing the matter to the attention of the Board of Directors.

After hearing about the conversation and the admissions made by PAGANO, [REDACTED] advised [REDACTED] that PAGANO should not be allowed to conduct any further METRA business until the matter is resolved. [REDACTED] then went to PAGANO's office. Once there, PAGANO told [REDACTED] that he was sorry and that he did a dumb thing. PAGANO told [REDACTED] that his dad had been diagnosed with Alzheimer disease. [REDACTED] had never heard this before and felt that PAGANO was telling him as if it was the reason he needed the money. [REDACTED] stated to PAGANO that it was in the interest of everyone at METRA, including PAGANO himself, to leave the office, to not conduct any further METRA business, and to seek legal representation. [REDACTED] provided PAGANO with the name and telephone number of a private attorney that had previously been a legal council for METRA. [REDACTED] did not escort PAGANO out of the office nor did he notify METRA Police. PAGANO was allowed to leave on his own.

On approximately Tuesday, April 27, 2010, the locks to PAGANO's office were changed.

Over the next several days, PAGANO called [REDACTED] multiple times. The discussions were primarily about upcoming meetings and METRA business. PAGANO appeared to act as if he was still running METRA and that everything would be resolved. During the last telephone call, [REDACTED] advised PAGANO that he was going to be interviewed by [REDACTED] and that he would be reporting any and all contact with PAGANO. PAGANO did not place any further telephone calls to [REDACTED]

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Continuation of FD-302 of [REDACTED]

, On 05/18/2010 , Page 5

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On Friday, April 30, 2010, the METRA Board of Directors was scheduled to meet. [REDACTED] along with [REDACTED] went to work early because they had been told that PAGANO was coming to address the Board of Directors. [REDACTED] had requested that [REDACTED] meet PAGANO to advise him that the locks to his office had been changed and that he was not allowed to access his office.

At approximately 6:10am, [REDACTED] went to PAGANO's office, which was located on a different floor than [REDACTED]. As he approached the office, [REDACTED] observed PAGANO attempting to open the office door with his key. [REDACTED] told him that the locks had been changed. PAGANO appeared upset and stated that changing the locks was overkill. PAGANO's office included a private bathroom as well as an adjoining conference room. [REDACTED] stated that in order to avoid the media, PAGANO was allowed to use the restroom and wait in the conference room until it was time to address the Board of Directors. PAGANO did not access his office area. A METRA employee remained with PAGANO during this time.

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[REDACTED] was not present in the Board of Directors meeting when PAGANO addressed the members, although he was later told that PAGANO did address the board. [REDACTED] did see PAGANO after the meeting had adjourned. PAGANO appeared angry and was rambling about how he knew things.

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[REDACTED] had no further contact with PAGANO. [REDACTED] was aware that the METRA Board of Directors was scheduled to meet on Friday, April 07, 2010. However, the meeting was cancelled once the board members learned that PAGANO had committed suicide that same morning.

[REDACTED] stated he is aware that PAGANO had borrowed money from his deferred compensation account. Although he was not involved in the initial set-up of the account, [REDACTED] stated he has a general understanding of the account. Deferred compensation accounts were created for PAGANO and [REDACTED]. The accounts were created so that METRA could provide monetary incentives to retain its top executives. Once PAGANO [REDACTED] turned 60 years of age, they could each draw money out of their respective accounts as an additional source of income.

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In approximately December 1994, the deferred compensation accounts were amended. METRA hired outside legal council to set up

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Continuation of FD-302 of [REDACTED], On 05/18/2010, Page 6 b6 b7C

the plans and [REDACTED] had no role in their creation. The plans were set up through Amalgamated Bank of Chicago. Under the new plan, a clause allowed PAGANO and [REDACTED] to borrow against funds from the accounts. Under the initial terms of the plan, PAGANO and [REDACTED] could borrow up to \$100,000 at an interest rate of 6%. In approximately 1998, the ceiling was amended and PAGANO and [REDACTED] could borrow up to \$250,000. The ceiling was raised several more times with the most recent increase taking place in approximately April 2008.

[REDACTED] was aware that PAGANO had requested and been granted multiple loans against his account. Although [REDACTED] was not involved in the initial set-up of the accounts, as [REDACTED] [REDACTED] was included in communications between [REDACTED]

[REDACTED] stated that in total, PAGANO had borrowed and owed approximately \$765,000 plus interest.

The most recent request by PAGANO was for approximately \$140,000 in April 2008. An analysis of the request was conducted and it was determined that PAGANO was unable to provide enough securities in the event that he defaulted on the loan. METRA was concerned that PAGANO was nearing retirement age, had already borrowed heavily against the account, and did not have enough working years left to repay the account. Ultimately though, the request was authorized.

In February 2010, PAGANO turned 60 years of age and the deferred compensation account reached full maturity. At that time, PAGANO cashed out his plan and used the money to repay what he had borrowed. However, due to PAGANO's heavy borrowing against the account, PAGANO still owed approximately \$140,000 after cashing out the deferred compensation.

[REDACTED] stated that there are documents showing the dates and the dollar amounts that PAGANO removed money from his deferred compensation account. All documents were turned over to [REDACTED]

[REDACTED] was aware that [REDACTED] borrowed against his deferred compensation account as well. When [REDACTED] turned 60 years of age, he cashed out his plan. [REDACTED] account had enough money in it to repay the borrowed dollar amount in full.

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Continuation of FD-302 of [REDACTED] 1, On 05/18/2010, Page 7 b6
b7C

On Thursday, May 13, 2010, [REDACTED] received a telephone message on his business voice mail. The message was from [REDACTED] the CARMEN GROUP in Washington, DC. The message stated that the CARMEN GROUP had been contacted by PAGANO's attorney. In the interest of full disclosure, the CARMEN GROUP wanted to report the contact. It is [REDACTED] understanding that the CARMEN GROUP is a lobbying firm and has conducted business with METRA.

In reference to the documents that [REDACTED] had in his possession that related to PAGANO cashing out his vacation time, [REDACTED] recalled several things. b6
b7C

The documents relating to the cashing out of PAGANO's vacation time were forwarded to [REDACTED] due to METRA policy. METRA policy is that any requests for money over \$10,000 require the signature of [REDACTED]

[REDACTED] During his time as [REDACTED] [REDACTED] has received requests for the cashing out of vacation time from METRA employees, including members of his staff. Under rare circumstances, METRA has authorized the payout of vacation time in advance of it being accrued by the employee. The requests are made when the employee or a family member of the employee are experiencing some sort of hardship.

[REDACTED] stated that according to metadata on his office computer, the document giving PAGANO blanket authority to cash out vacation time was created [REDACTED] on October 03, 2008 and modified on October 09, 2008. [REDACTED] prepared the document for [REDACTED] signature. b6
b7C

[REDACTED] a second document in approximately October 2008. The document was a routing slip from [REDACTED] to PAGANO. In the document, [REDACTED] stated that he felt that it was very important that [REDACTED] sign the authorization for PAGANO to cash in vacation time and that the [REDACTED] certificate should not be relied upon. The [REDACTED] certificate was a document prepared by [REDACTED] for [REDACTED] for METRA. The purpose of the [REDACTED] certificate was for [REDACTED] to certify that the cashing out of vacation time by PAGANO was consistent with the practices that [REDACTED] had authorized when he was [REDACTED]. According to metadata on [REDACTED] computer, the document was created by [REDACTED] on approximately May 2005 and modified in approximately January 2006. Although [REDACTED] recalls that [REDACTED] verbally acknowledged that he signed the [REDACTED] certificate and b6
b7C

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Continuation of FD-302 of [REDACTED], On 05/18/2010, Page 8 b6 b7C

PAGANO verbally acknowledged that he signed the [REDACTED] certificate, [REDACTED] has been unable to locate a signed copy of the [REDACTED] certificate.

In approximately June 2009, [REDACTED] forwarded [REDACTED] a request for PAGANO to cash out his 2010 vacation time. The memo was from PAGANO and it was accompanied with a note from [REDACTED]. The note stated that [REDACTED] had approved of PAGANO cashing out his vacation time and more documentation would follow. The memo was not signed by [REDACTED].

[REDACTED] described his relationship with PAGANO as a "very good working relationship." [REDACTED] does not recall ever seeing where [REDACTED] resides. Other than [REDACTED] several times a year, the two did not socialize outside of work. [REDACTED] was invited to [REDACTED] which was in approximately [REDACTED]. PAGANO never related to [REDACTED] that he was facing any financial difficulties. Other than golf, [REDACTED] is not aware of PAGANO having any other hobbies. PAGANO was a member of Boulder Ridge Country Club, but [REDACTED] would not describe it as an exclusive club. PAGANO had bragged to [REDACTED] that he bought into the club early and only had to pay a \$5,000 member initiation fee.

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 05/25/2010

[redacted]
[redacted] Illinois, was contacted
telephonically via his business telephone number [redacted]
After being advised of the identity of the interviewing agents and
the nature of the interview, [redacted] provided the following
information:

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b7C

[redacted] advised that he is [redacted]
[redacted] PHIL PAGANO, former Executive Director of METRA. [redacted]
stated that has [redacted]
interviewed by the investigating agents. At this particular time,
[redacted]
[redacted]

[redacted] is also [redacted]
[redacted]
[redacted]

145 [redacted] 05.302

b6
b7CInvestigation on 05/21/2010 at Chicago, IL (telephonically)File # 46F-CG-132057Date dictated - 9by SA [redacted]

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 06/07/2010

[redacted] date of birth [redacted] Social Security
Account Number [redacted] residential address [redacted]
[redacted] was contacted via her cellular
telephone, [redacted] After being advised of the identity of
the interviewing agent and the nature of the interview, [redacted]
provided the following information:

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b7C

[redacted] is [redacted] and moved to
[redacted] in approximately [redacted] Prior to that, [redacted]
lived in [redacted] where she was also [redacted]

b6
b7C

[redacted] maintained a romantic/intimate relationship with
PHIL PAGANO from approximately [redacted] until approximately
[redacted]

[redacted] was initially contacted by PAGANO through the
internet website, www.eHarmony.com. PAGANO's webpage contained a
picture of himself, stated he was single, and stated that he was
employed in the transportation industry.

Initially, PAGANO and [redacted] spoke through the internet
and telephone calls. PAGANO told [redacted] that [redacted]
[redacted] PAGANO said he was
the CEO of METRA. [redacted] stated that PAGANO was extremely proud
of his job.

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b7C

In approximately [redacted] the two scheduled to meet for
dinner in [redacted] before the
date, PAGANO contacted [redacted] and said he had to cancel because he
[redacted]

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b7C

[redacted] knew that [redacted]
[redacted] told PAGANO that she would like to remain close
to him and assist him.

The two met in [redacted] in approximately [redacted]
[redacted] stated that the two "clicked" right away and they
began a romantic relationship. PAGANO always came to see [redacted]
in [redacted]

b6
b7CInvestigation on 06/04/2010 at Chicago, IL (telephonically)File # 46F-CG-132057Date dictated by SA [redacted]

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Continuation of FD-302 of [REDACTED]

, On 06/04/2010 , Page 2

After the two dated for a period of time, [REDACTED] asked PAGANO why she never saw him in Chicago or where he lives. PAGANO said that [REDACTED] lived with him and was skittish about him dating again.

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[REDACTED] began to have suspicions about whether or not PAGANO was telling the truth. The two would see each other approximately [REDACTED] and would talk on the telephone or over the internet every day. PAGANO took the train into work and would call [REDACTED] almost every morning while he was waiting for his train to arrive.

PAGANO's cellular telephone would periodically be turned off and PAGANO would tell [REDACTED] that it was off because he was [REDACTED] who was familiar with [REDACTED]

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Eventually, [REDACTED] confronted PAGANO and he admitted that he [REDACTED] PAGANO told [REDACTED] that he had never planned on falling in love with her but did, and was then afraid to tell her the truth.

The two continued to date, but [REDACTED] had other suspicions. On one occasion, PAGANO was at [REDACTED] residence in [REDACTED] and used her computer. PAGANO did not log off of his email account, and [REDACTED] looked at the contents after PAGANO was finished. [REDACTED] saw an email from PAGANO to [REDACTED] Last Name Unknown (LNU). [REDACTED] recalled that in the email, PAGANO was trying to get [REDACTED]

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[REDACTED] stated that [REDACTED] LNU either lives in [REDACTED] or PAGANO met her there. [REDACTED] got the impression from the email that PAGANO and [REDACTED] LNU had a romantic relationship.

On another occasion, [REDACTED] discovered an email from PAGANO to a woman who lived in [REDACTED]. In the email, PAGANO talked about a [REDACTED] believes that PAGANO and the woman were involved in a romantic relationship.

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During the time that PAGANO and [REDACTED] were romantically involved, the two took several trips together. On at least [REDACTED] occasions, the two went to [REDACTED]

[REDACTED] PAGANO usually paid for meals, hotels, and other expenses in cash. In approximately [REDACTED] PAGANO

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Continuation of FD-302 of _____, On 06/04/2010, Page 3

_____ The two stayed at the _____ PAGANO paid for the hotel via credit card, which cost approximately _____

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PAGANO claimed to travel quite a bit for work. PAGANO would call her during the trips.

At some point during their romantic relationship, _____ learned that _____ and that he was still married. _____ was suspicious that PAGANO never let her go to his house, so she conducted an internet search on _____ who he told her had been _____ discovered the _____ In the document, the _____

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_____ confronted PAGANO, who initially denied that lied about _____ continued to question PAGANO and he eventually admitted to lying and said that _____ were still married. PAGANO told _____ that it was _____

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b7C

Once PAGANO admitted that _____ continued to date him. _____ asked PAGANO if he was worried about _____ but PAGANO said no because he rented a mailbox in Crystal Lake, Illinois to keep that part of his life separate. On one occasion, PAGANO's birthday was coming up and he told _____ that if she wanted to send him a birthday card, she could send it to his mailbox. _____ understood this to mean that PAGANO only had access to the mailbox and _____

b6
b7C

_____ stated that PAGANO always drove nice and fancy cars. Initially, PAGANO drove a Nissan sports car. _____ stated she is not familiar with cars and does not know the model. In approximately _____ PAGANO began driving a convertible.

PAGANO was always generous but he did not pay for _____ living expenses. PAGANO had a rule that when _____ was with him, he paid for everything. On one occasion, _____ so PAGANO gave her _____ stated the _____ On another occasion, _____ was interested in _____ but she did not have the money. PAGANO said that he would pay for her _____ PAGANO and _____

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b7C

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Continuation of FD-302 of [REDACTED]

, On 06/04/2010, Page 4

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b7C

[REDACTED] where
PAGANO [REDACTED] and gave the money to
[REDACTED] for [REDACTED]. On other occasions, PAGANO purchased
[REDACTED] and on one occasion, [REDACTED]. On another
occasion, [REDACTED] was purchasing a [REDACTED].
PAGANO said that [REDACTED]
[REDACTED] PAGANO gave [REDACTED]
towards the purchase of [REDACTED].

PAGANO talked openly of marrying [REDACTED]

[REDACTED] ended her relationship with PAGANO in
approximately [REDACTED]. PAGANO continued to contact [REDACTED]
asking her to re-consider.

b6
b7C

In [REDACTED] agreed to meet PAGANO for

[REDACTED] PAGANO brought [REDACTED]

[REDACTED] At that time,

PAGANO told [REDACTED] that he was in a [REDACTED]
[REDACTED]

In [REDACTED] and PAGANO went to a
[REDACTED]

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b7C

[REDACTED] last had contact with PAGANO in [REDACTED]
when the two spoke via telephone.

PAGANO and [REDACTED]
[REDACTED]

b6
b7C

PAGANO told [REDACTED] that he [REDACTED] on a
regular basis.

PAGANO and [REDACTED] had a physical/sexual relationship.
Although she never saw PAGANO take Viagra or Cialis [REDACTED]
suspected that PAGANO took one of them.

[REDACTED] was contacted by [REDACTED]
who told [REDACTED] about PAGANO being suspended from METRA. [REDACTED]
[REDACTED] called [REDACTED] and told her about PAGANO committing
suicide.

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Continuation of FD-302 of [REDACTED], On 06/04/2010, Page 5

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b7C

[REDACTED] does not know why PAGANO needed all of the money that the media has been reporting that he took. [REDACTED] surmises that PAGANO needed the money because he was being blackmailed.

[REDACTED] believes that PAGANO was having affairs with other woman and that one of them may have found out he was married and wasn't as forgiving about it as [REDACTED] surmises that this other woman may have been threatening PAGANO to pay her money or else she was going to tell his wife about the affair. [REDACTED] admitted that she has no proof of a blackmail taking place and that it is just her opinion of where the money may have been going.

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 06/07/2010

[redacted] date of birth [redacted] business address [redacted] was contacted telephonically via his cellular telephone, [redacted] After being advised of the identity of the interviewing agents and the nature of the interview, [redacted] provided the following information:

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[redacted] works as [redacted] for [redacted] [redacted] is related to [redacted] (fully identified in the FD-302 dated 06/03/2010 in the captioned investigation).

[redacted] met PHIL PAGANO multiple times through [redacted] liked PAGANO and described him as a "good guy". [redacted] was aware that PAGANO was the Executive Director of METRA and stated that PAGANO was very proud of his job. [redacted] described PAGANO as generous but not overly so. When they would go out to eat, PAGANO would always want to pay, but the restaurants were not fancy.

b6
b7C

[redacted] respected PAGANO and trusted his advice. On one particular occasion, [redacted]

Approximately 1 to 1 1/2 weeks after PAGANO committed suicide, [redacted] was sent to [redacted]

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b7C

[redacted] Once there, [redacted] initially gave [redacted] the [redacted] was supposed to [redacted] [redacted] looked at the name tag [redacted] and the name was PAGANO.

The [redacted] and he began preparing [redacted] As he was doing so, [redacted] had a conversation with one of the [redacted] employees. [redacted] told the employee that he had been given the wrong [redacted] He said that [redacted] had the name PAGANO on them and [redacted] thought he knew him. The [redacted] employee said that

Investigation on 06/04/2010 at Chicago, IL (telephonically)

File # 46F-CG-132057

Date dictated -11

by SA [redacted]

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b7C

[REDACTED] had belonged to "another one of those crooked politicians who got caught stealing money and then killed himself." [REDACTED] defended PAGANO and told the employee that he shouldn't talk about someone he didn't know and who is unable to defend themselves.

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 06/07/2010

[redacted] date of birth [redacted] Social
 Security Account Number [redacted] residential address [redacted]
 [redacted] cellular telephone number [redacted]
 contacted Special Agent [redacted] to provide additional
 information:

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b7C

PHIL PAGANO maintained a blog website that he would
 periodically write postings. The blog address is
www.golfmytimeaway.blogspot.com.

[redacted] has a [redacted] who is a [redacted]
 [redacted] Shortly after PAGANO committed suicide, [redacted]
 was assigned to [redacted]
 [redacted] Illinois. While there, [redacted] observed [redacted]
 for a [redacted] that had the name PAGANO on them.

b6
b7C

[redacted] had a discussion with an employee of the
 [redacted] who said [redacted] had belonged to PHIL PAGANO. The
 employee began saying negative things about PAGANO and said that
 PAGANO was "another one of those crooked politicians who got caught
 and then killed himself."

[redacted] who had PAGANO through [redacted] defended
 PAGANO and told the employee that PAGANO was a "good guy".

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b6
b7CInvestigation on 06/03/2010 at Chicago, IL (telephonically)File # ✓ 46F-CG-132057Date dictated

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by SA [redacted]



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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 06/03/2010

[redacted] date of birth [redacted] Social Security Account Number [redacted] residential address [redacted] [redacted] cellular telephone number [redacted] was contacted via her residential telephone number, [redacted]. After being advised of the identity of the interviewing agent and the nature of the interview, [redacted] provided the following information:

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b7C

[redacted] is employed as [redacted] [redacted] took an early retirement package which was offered to [redacted] [redacted] and will retire in [redacted] currently resides in a rented apartment located at [redacted] [redacted] also owns a house located at [redacted] [redacted] which is where she will permanently reside upon retirement.

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b7C

[redacted] maintained a romantic relationship with PHIL PAGANO from approximately [redacted] until [redacted] [redacted] met PAGANO on the internet dating site, www.eHarmony.com. The two spoke with one another online for approximately [redacted] before meeting in person.

[redacted] and PAGANO met for their first date on either [redacted] or [redacted] PAGANO drove to [redacted] and the two went out to dinner.

b6
b7C

At the time, PAGANO spoke openly about his job as the Executive Director of METRA and [redacted] PAGANO told [redacted]

From approximately [redacted] until [redacted] [redacted] and PAGANO saw each other [redacted] and spoke to one another via email and telephone every day. PAGANO would always drive to [redacted] to see [redacted] [redacted] she and PAGANO [redacted] Over the course of their relationship, PAGANO [redacted]

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154 [redacted] 01.302

Investigation on 06/03/2010 at Chicago, IL (telephonically)File # 46F-CG-132057Date dictated -13

by SA [redacted]

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Continuation of FD-302 of _____, On 06/03/2010, Page 2b6
b7C

_____ and PAGANO took multiple vacations together. They went to _____ with the most recent trip being in approximately _____. The two took at least _____ where _____. They went on vacation in _____ in approximately _____ or _____. They took vacations in _____.

Approximately _____ into their relationship, _____ had conducted internet searches on PAGANO and discovered that _____ confronted PAGANO and he said that _____. PAGANO stated that _____.

b6
b7C

In approximately _____ PAGANO told _____ that his dad had taken a turn for the worse and that he would have to be placed into an assisted living facility. It was _____ understanding that PAGANO's dad was staying in an assisted living facility in East Babylon, New York.

In _____ and PAGANO took a vacation together in _____. The two stayed at _____. _____ described the _____ as a _____. During the trip, _____ used PAGANO's laptop computer and discovered pictures of _____. The pictures were of _____. In the pictures, _____.

b6
b7C

In approximately _____ along with other _____ was offered an early retirement package by _____. _____ decided to take the early retirement and told PAGANO that she was either _____. PAGANO said he wanted a life with her but couldn't _____ or his work yet. PAGANO said that he would help _____ and then he would retire the following year when he had access to his retirement money and would move to _____ to be with her.

_____ last saw PAGANO on approximately _____. _____ PAGANO drove to _____ to see _____ who was in the process of packing to move to _____. PAGANO seemed upset and he

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Continuation of FD-302 of [REDACTED]

, On 06/03/2010, Page 3

b6
b7C

[REDACTED] appeared bothered over the fact that [REDACTED] was moving to [REDACTED] without him. [REDACTED] was busy with preparing to move and was not aware that allegations had surfaced about PAGANO and that he had been suspended from work. PAGANO did not talk about the suspension or the allegations with [REDACTED]. During their conversation, PAGANO said that his father would be so disappointed in him. At the time, [REDACTED] thought that PAGANO was referring to their affair but she now believes that PAGANO was referring to his job with METRA and the allegations that had surfaced.

The day before PAGANO killed himself, he and [REDACTED] spoke via the telephone and text messages several times. During one of the conversations, PAGANO said he would call [REDACTED] later that evening.

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b7C

PAGANO never called so the next morning, which was the day that PAGANO killed himself, [REDACTED] sent a email to PAGANO. In the email, [REDACTED] PAGANO responded to the email and wrote [REDACTED] stated that PAGANO always would always say [REDACTED] or [REDACTED] which was his way of saying [REDACTED] said she and PAGANO got the idea from [REDACTED]

Looking back on the several weeks before PAGANO killed himself, [REDACTED] stated that PAGANO seemed very tired. [REDACTED] believes that PAGANO did not talk to her about the METRA allegations as a way of protecting her. She believes that PAGANO felt she had enough on her plate with her retirement and her moving to [REDACTED] and he didn't want to burden her.

b6
b7C

[REDACTED] believes that PAGANO killed himself for several reasons. [REDACTED] believes that PAGANO carried a lot of guilt about their relationship and his deception about [REDACTED]

[REDACTED] described PAGANO as "very Italian" and that honor and integrity were extremely important to him. PAGANO loved METRA and had immense pride in his job.

[REDACTED] believes that PAGANO felt that he let everyone down at METRA and that he let his family down. [REDACTED]

[REDACTED] Knowing him the way she did, [REDACTED]

[REDACTED] does not know what PAGANO did with all of the money. [REDACTED] described PAGANO as very loving and generous, but [REDACTED]

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Continuation of FD-302 of _____, On 06/03/2010, Page 4

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b7C

he did not shower her with gifts and he did not support her. PAGANO paid for the usual things in a romantic relationship, such as dinner, hotels, and airline tickets. As far as gifts, PAGANO bought _____

PAGANO bought _____ PAGANO would always pay for things with cash or credit card.

_____ and PAGANO looked at _____ several times. _____ believes that PAGANO may have put _____ but is not positive. The _____ and PAGANO were using was _____. _____ stated that _____ now lives in _____

b6
b7C

_____ knew that PAGANO lived in and owned a house in Crystal Lake, Illinois. _____ is not aware of any other properties that PAGANO may own.

PAGANO drove a BMW until the _____. Usually, when PAGANO would drive to _____ to see _____ he would take _____

b6
b7C

PAGANO told _____ that he had _____. PAGANO stated he initially had _____ that moved to the _____. When PAGANO would stay with _____ he would have a _____. _____ never saw PAGANO take the medications Viagra or Cialis and stated that PAGANO _____

_____ believes that PAGANO may have also been having an affair with a woman named _____. During their trip to _____ in the _____ found a piece of paper in PAGANO's briefcase. The note had _____ name and a telephone number written on it. _____ called the telephone number, a woman answered, and _____ hung up the telephone. _____ confronted PAGANO about the woman. PAGANO said it was a business related contact and that it was someone he met at a conference in Chicago. _____ has no proof, but believes that it may have been a woman that PAGANO was romantically involved with.

b6
b7C

_____ admitted to _____ after he killed himself. _____ had asked about whether or not PAGANO

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Continuation of FD-302 of [REDACTED], On 06/03/2010, Page 5

b6
b7c

had a [REDACTED] because it was a gift that she had bought for him.

[REDACTED] stated that she wants to fully cooperate with investigators. [REDACTED] stated that her only concern is causing more hurt or pain for [REDACTED]

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 06/14/2010

[redacted] date of birth [redacted] Social Security
Account Number [redacted] residential telephone number [redacted]
[redacted] cellular telephone number [redacted] was interviewed at
her residence, [redacted] After
being advised of the identity of the interviewing agent and the
nature of the interview, [redacted] provided the following
information:

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b7C

[redacted] is currently [redacted] and
[redacted] has
also been [redacted]
[redacted]
[redacted] stated that [redacted]
did not affect her ability to decide whether or not to speak with
the interviewing agent.

b6
b7C

[redacted] was [redacted]
[redacted]
[redacted] her house, which had been at [redacted]
[redacted]

b6
b7C

SUBJECT [redacted] maintained a romantic/intimate relationship with
PHIL PAGANO from approximately [redacted] until approximately
[redacted]

[redacted] initially met PAGANO through the internet
website, www.eHarmony.com. PAGANO's webpage contained a picture of
himself, stated he was single, and stated that he was in the
transportation industry.

b6
b7C

After talking via email and telephone, [redacted] and
PAGANO decided to meet in person and go on a date. On
approximately [redacted] PAGANO drove to [redacted] and took
[redacted] to a restaurant called [redacted]
[redacted] described the restaurant as [redacted]
restaurant.

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by SA [redacted]

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Continuation of FD-302 of [REDACTED]

, On 06/09/2010, Page 2

b6
b7C

During the initial discussions, PAGANO told [REDACTED] that he was [REDACTED] PAGANO said that he [REDACTED] and that he was the Executive Director of METRA. At the time, [REDACTED] was not familiar with METRA and PAGANO explained to her that it was the commuter train system for Chicago.

After the first date, [REDACTED] and PAGANO continued to see one another romantically. During some weeks, PAGANO would drive to [REDACTED] to see [REDACTED]. Other weeks, they would not see each other. [REDACTED] and PAGANO would talk to one another every day by telephone and by email. On the days that they did not see one another, PAGANO would take the train into work, have breakfast with friends/coworkers, and would then call [REDACTED] at approximately [REDACTED].

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[REDACTED] described their relationship as an old-fashioned courtship. PAGANO would [REDACTED] and pay for dates.

When the two would see each other, PAGANO would always come to [REDACTED] house in [REDACTED]. PAGANO would normally see [REDACTED] during the week and would arrive at approximately [REDACTED] and then stay until approximately [REDACTED] or would stay the night with [REDACTED]. [REDACTED] asked PAGANO how he could be away from work like that, and PAGANO responded that he was the boss and could do what he wanted.

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When [REDACTED] and PAGANO would stay the night together, the two would either [REDACTED]. During the time that [REDACTED] and PAGANO dated, PAGANO took her to [REDACTED]. [REDACTED] one [REDACTED] PAGANO always paid for expenses and he paid via credit card.

PAGANO drove several different vehicles during the time that he and [REDACTED] dated. PAGANO first drove an Infinity 2-door sports car. After that, PAGANO drove a BMW convertible. PAGANO would also occasionally drive METRA vehicles, such as a Ford Taurus or a Ford Fusion, to [REDACTED] to see [REDACTED].

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As the relationship progressed, [REDACTED] began to pressure PAGANO on when she was going to [REDACTED].

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Continuation of FD-302 of [REDACTED]

, On 06/09/2010, Page 3

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[REDACTED] Initially, PAGANO said that he had promised [REDACTED] As [REDACTED] continued to pressure him, PAGANO told [REDACTED] PAGANO said that [REDACTED] and [REDACTED] PAGANO said that he couldn't handle the pressure and he needed to stop seeing [REDACTED] in order to focus on family. The two broke up briefly but then began to see one another again. [REDACTED] stated that she and PAGANO quit seeing each other several times and that each break-up was precipitated by her pressuring him to meet his family and/or friends. PAGANO would always come back saying that he was sorry and that he missed [REDACTED]

PAGANO also refused to [REDACTED] [REDACTED] felt this was odd and voiced their concerns to [REDACTED] A friend of [REDACTED] conducted an internet search of obituaries and was unable to find one for [REDACTED] friend then called METRA and spoke with PAGANO's assistant. The friend said [REDACTED] [REDACTED] was extremely upset.

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In approximately [REDACTED] called PAGANO and left a voice mail. In the message, [REDACTED] said something to the effect of, [REDACTED]

PAGANO immediately returned [REDACTED] telephone call and said he was sorry that he lied to her. The two argued and [REDACTED] called PAGANO names. PAGANO repeatedly asked to come and see [REDACTED] PAGANO promised that he would [REDACTED]

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[REDACTED] and PAGANO attended [REDACTED] approximately [REDACTED] times. The [REDACTED] in [REDACTED]

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Continuation of FD-302 of [REDACTED], On 06/09/2010, Page 4

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b7C

PAGANO told [REDACTED] that [REDACTED]
[REDACTED] PAGANO
said that [REDACTED]
[REDACTED]
PAGANO said that he [REDACTED]
[REDACTED] and that they [REDACTED]
[REDACTED] PAGANO said that [REDACTED]
[REDACTED]

During this time, [REDACTED] was not doing well
and [REDACTED]
[REDACTED]
[REDACTED] PAGANO did offer to help
[REDACTED] and gave her approximately [REDACTED] PAGANO said that
he withdrew the money from his 401(k) retirement account. PAGANO
said that he wished that he could provide more help to [REDACTED] but
that was all that he could afford.

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[REDACTED] was shown by the interviewing agent a copy of a
cashier's check dated [REDACTED] for the amount of
[REDACTED] admitted that this was a copy of the check
that PAGANO had given her.

PAGANO said he was in trouble financially because he was
trying to pay off his father's mortgage and pay for his father's
hospice care. PAGANO said that his mother had died and that his
father went into hospice care. Instead of using state hospice
care, PAGANO's father used a private hospice care provider which
was expensive. PAGANO's father mortgaged his house to pay for the
hospice care and PAGANO was trying to pay the mortgage. PAGANO
said that [REDACTED] PAGANO said that
[REDACTED]
[REDACTED] could not
afford to help pay either. PAGANO said that money was tight and
that he had to drop his country club membership and could no longer
afford to pay for [REDACTED]

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[REDACTED] stated that she never threatened PAGANO and was
not trying to blackmail him and receive money. [REDACTED] told
PAGANO that he was lucky that she was nice because she could have
ruined his life by telling the METRA board [REDACTED] about the
affair.

On approximately [REDACTED] confronted
PAGANO and told him that he was lying and that he was never going

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Continuation of FD-302 of _____, On 06/09/2010, Page 5

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b7C

to _____ PAGANO replied that he was not going to _____ and that he realized that he had a good life. PAGANO said that he _____

_____ had no contact with PAGANO after the two broke-up. _____ heard about PAGANO being suspended from METRA as well as his suicide through _____ who lives in the _____ area.

_____ never saw PAGANO gamble or use illegal drugs. PAGANO was a light drinker and would usually only _____ when the two went out. PAGANO would sometimes _____

PAGANO bought _____ several gifts during their relationship, including _____

During their relationship, PAGANO tried to help _____

_____ recalled that the _____

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PAGANO also told _____ about _____

_____ PAGANO told _____ that the _____

_____ Once PAGANO told her about _____

PAGANO utilized a separate mailing address from his home address in order to hide his affair with _____ stated that she sent all correspondence to PAGANO to P.O. Box 331, Crystal Lake, Illinois.

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During their relationship, PAGANO said that he wanted to marry _____ and that the two of them could move to _____ once he retired.

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Continuation of FD-302 of [REDACTED], On 06/09/2010, Page 6b6
b7c

PAGANO was very braggadocios about how large his retirement accounts were. PAGANO told [REDACTED] that METRA had provided generous retirement accounts for him and that he was "set for life."

PAGANO told [REDACTED] that he had met and dated other woman on www.eHarmony.com prior to meeting her.

[REDACTED] does not know what PAGANO was doing with his money. [REDACTED] surmises that PAGANO's lies got bigger and bigger. As the lies got bigger, PAGANO became more grandiose and thought he could get away with everything. Once he was caught, PAGANO took the cowards way out and killed himself.

- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 06/15/2010

[redacted] cellular telephone number [redacted] was contacted telephonically. After being advised of the identity of the interviewing agents and the nature of the interview, [redacted] provided the following information:

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[redacted]

[redacted] provided two telephone numbers for [redacted] and [redacted]

[redacted] advised that [redacted] may have some financial issues. [redacted] is currently [redacted]

[redacted] advised that [redacted] who lives in [redacted] and that [redacted] spends time there.

[redacted] has not had any issues with [redacted]

166 [redacted] 01.302

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b7c

Investigation on 06/08/2010 at [redacted] (telephonically)

File # ✓ 46F-CG-132057

Date dictated 15by SA [redacted]

[redacted]

- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 06/15/2010

[redacted] date of birth [redacted] business telephone [redacted] was interviewed at the METRA executive offices, 547 W. Jackson Boulevard, Chicago, Illinois. Also present during the interview were [redacted] attorney, [redacted] and [redacted]. After being advised of the identity of the interviewing agents and the nature of the interview, [redacted] provided the following information.

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[redacted] is currently the [redacted] and [redacted] for METRA. [redacted] began working as [redacted] for METRA in approximately [redacted]. Prior to working at METRA, [redacted] was [redacted].

On approximately [redacted] was contacted by [redacted] CRAIN'S CHICAGO BUSINESS NEWS. [redacted] advised [redacted] that he had a credible source who was reporting that PHIL PAGANO, the Executive Director of METRA, had received a monetary bonus from METRA in the summer of 2009. [redacted] asked [redacted] whether or not this was true. [redacted] told [redacted] that she would find out and get back to him.

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[redacted] met with PAGANO and asked him if he had received a bonus in the summer of 2009. PAGANO stated that he did not.

[redacted] called [redacted] and told him that PAGANO did not receive a monetary bonus. [redacted] reiterated that his source was very credible and he wanted to know if PAGANO received a \$56,000.00 monetary bonus in August 2009.

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At this point, [redacted] became concerned. [redacted] and knew him to be a very [redacted] felt that the information that [redacted] was providing was too specific to be false.

[redacted] met with PAGANO a second time and asked him again if he had received any type of monetary bonus in 2009. PAGANO again stated that he did not.

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166 [redacted] 02,302

Investigation on 06/15/2010 at Chicago, ILFile # 46F-CG-132057Date dictated -17

by

SA [redacted]
SA [redacted]

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Continuation of FD-302 of _____, On 06/15/2010, Page 2

On approximately _____ was on vacation when she received a telephone call from _____ again wanted to know if PAGANO had received any type of monetary compensation in addition to his annual salary in 2009. _____ asked _____ to provide all documents relating to PAGANO's compensation packages for the past 3 years and he would leave her alone. _____ advised that she did not have direct access to those documents but that she would work on providing them to _____

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After returning from vacation, _____ met with PAGANO who again denied receiving a monetary bonus in 2009. _____ asked PAGANO to authorize the release of METRA documents relating to his compensation packages, and PAGANO granted his authorization. PAGANO told _____ to talk to _____ PAGANO also told _____ to have _____ present his source to them and that he would take a polygraph examination to prove that he was telling the truth.

_____ did not believe that PAGANO was telling the truth. _____ felt that _____ was too specific on his allegations for the information to be untrue. _____ was also concerned over the fact that PAGANO volunteered to take a polygraph examination. _____ felt that only a person who was hiding something would make that statement.

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_____ contacted _____ relayed the request by _____ and provided _____ with the authorization to release PAGANO's compensation documents that PAGANO had initialed. _____ stated that he would provide the documents and that it was his understanding that PAGANO had not received any monetary bonuses during the past two years, other than a 2.5% increase of his annual salary.

During the week of _____ called _____ and asked her to come to his office and retrieve the documents that _____ had requested. _____ thought that _____ wanted her to get the documents because they were sensitive in nature and he didn't want other METRA employees to see documents relating to PAGANO's compensation. However, when _____ met with _____ he said that PAGANO may have received a \$56,000.00 in August. _____ advised _____ that she needed to talk to _____

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Continuation of FD-302 of _____, On 06/15/2010, Page 3

On or about the same day as the conversation with [redacted] spoke with [redacted] relayed the information that she had received from [redacted] and the subsequent conversations she had with PAGANO and [redacted] told [redacted] that he would talk to PAGANO.

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On or about that same day, [redacted] contacted [redacted] and the two met in person. [redacted] stated that he spoke with PAGANO and PAGANO remembered that he had cashed out vacation leave in the amount of approximately \$56,000.00 in the summer of 2009. [redacted] stated that she was not aware that METRA allowed its executives to cash out their unused vacation leave. [redacted] showed [redacted] two certificates of authorization. The first document was an authorization form that authorized PAGANO to cash out his unused vacation leave. The bottom of the form had [redacted] name typed on it, who was the [redacted] as well as a space for his signature. The document was not signed by [redacted] and [redacted] told [redacted] that PAGANO had the original signed document.

The second document was an authorization form allowing PAGANO to cash out unaccrued vacation time. This document was signed by [redacted] [redacted] looked at the signature and stated that she had concerns as to the authenticity of the signature. The signature was in thick blue ink and appeared to be signed with a Sharpie pen. [redacted] thought this was unusual because she worked closely with [redacted] and knew her to be meticulous in her work. [redacted] did not believe that [redacted] would use a Sharpie pen to sign an executive document. [redacted] asked [redacted] if she questioned the authenticity of the signature and she replied by saying to [redacted] "Don't you?".

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[redacted] wanted to know what she should say to [redacted] about the new information. [redacted] asked [redacted] to wait until after PAGANO returned from vacation. [redacted] was aware that PAGANO was about to depart for a vacation to Florida and would be gone for approximately ten days. [redacted] was upset about this because she had been provided inaccurate information by PAGANO and had reported the information to [redacted] felt that it was inappropriate to delay in providing the accurate information to [redacted]

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On [redacted] was attending a regional transportation conference along with [redacted] During the

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Continuation of FD-302 of _____, On 06/15/2010, Page 4

conference, [] and [] discussed the inquiry by []. [] stated that she did not recall signing an authorization for PAGANO to cash out vacation time. [] stated that she was going to meet with PAGANO when he returned from vacation and discuss the matter.

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[] and [] also discussed a separate inquiry by [] the Chicago Sun-Times. [] had contacted [] and requested information relating to legislative contracts used by METRA. [] advised that legislative contracts is a more formal name for lobbying. Specifically, [] requested documents showing the total money paid by METRA to the lobbying firms that it uses to approach the federal government and represent METRA's interests. [] also asked questions about the CARMEN GROUP, including how much money METRA has paid the company. The CARMEN GROUP is one of the lobbying firms that METRA utilizes. []

On [] met with [] at [] house. [] had never seen some of the legislative contracts and wanted to review them before PAGANO returned from vacation. While there, [] told [] that [] had faxed her copies of the authorization forms that she had supposedly signed for PAGANO. [] again stated that she did not recall ever signing them. [] also told [] that she was unable to locate copies of them in her files.

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After leaving [] residence, [] received a call from [] was agitated and felt that [] was stonewalling him.

PAGANO returned to work on Tuesday, April 26, 2010. [] was aware that PAGANO and [] were scheduled to meet and discuss the two inquiries by [] and [].

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That same day, [] went to PAGANO's office to advise him that she had received another telephone call from [] and that she needed to provide information to him. When [] arrived at PAGANO's office, PAGANO was exiting his personal bathroom, which is part of the executive office suite that PAGANO occupied. It appeared to [] that PAGANO had been crying and he would not look directly at []. PAGANO told [] that a special board meeting was going to be scheduled. He did not provide any details but [] was under the impression that the

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Continuation of FD-302 of _____, On 06/15/2010, Page 5

matter was serious. [] told PAGANO that she needed to provide the information to [] PAGANO told [] that he would call [] who would then contact [] left PAGANO's office and never saw him again.

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A short time later, [] was contacted by [] [] advised [] to inform [] that an emergency board meeting for the METRA Board of Directors was scheduled for Friday, April 29, 2010. [] asked [] if PAGANO was going to continue working or if he should be placed on administrative leave. [] stated that PAGANO had been advised to leave the METRA offices and to not conduct any METRA business until the Board of Directors met.

[] told [] that she had said to PAGANO that she did not recall signing the authorization forms. PAGANO replied to [] that she did not sign them.

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[] also had a discussion with [] about the emergency meeting. [] advised [] that METRA was securing PAGANO's office so that no one would have access to it.

Sometime between Tuesday, April 26, 2010 and Friday, April 29, 2010, [] received a telephone call from [] [] said that he was attempting to reach PAGANO but was unsuccessful. [] sent PAGANO an email and included [] cell phone number. PAGANO replied and asked [] to tell [] that he would not speak to him until after the emergency board meeting.

[] did not see PAGANO on the day of the emergency board meeting. [] told [] that he had been asked to arrive to work early and escort PAGANO in the building. [] did, and PAGANO was angry that the locks to his office had been changed by METRA.

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In the days after the emergency board meeting, CRAIN'S CHICAGO BUSINESS NEWS printed [] article. [] was

[] During this time, [] had a meeting with [] and [] During the meeting, [] told [] that PAGANO wanted her to []

[] stated that she was not comfortable with [] [] agreed that it would not be appropriate. [] further advised that PAGANO should not be making statements to the media.

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Continuation of FD-302 of _____, On 06/15/2010, Page 6

During [redacted] [redacted] heard several allegations about PAGANO. [redacted] was told by [redacted] that PAGANO had been having extramarital affairs with women that he had met on www.eHarmony.com. PAGANO has supposedly told these women that [redacted] [redacted] also told [redacted] that he had received telephone calls from two women, both of whom were screaming at him because they had been dating PAGANO and were not aware that he was married. [redacted] told [redacted] that he thought there were a lot of women that PAGANO had been involved with in extramarital affairs.

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[redacted] also heard from a METRA employee that PAGANO had been seen in a Corvette. The Corvette was supposedly one of two that he been given from a Japanese rail car manufacturer. The cars were supposedly given to PAGANO in exchange for a contract for the Japanese manufacturer to provide rail cars to METRA. [redacted] has no evidence of this and stated that this was only a rumor she had heard.

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[redacted] stated that PAGANO would arrive at work very early in the morning and would often work late at night. PAGANO was also known to take days off without anyone knowing that he was planning to do so. Meetings and functions that PAGANO had been scheduled to attend would have to be postponed at the last minute because he wouldn't show up for work. [redacted] assumed that PAGANO was playing golf on the days that he didn't come to work. [redacted] stated that there were also days before and after weekends where PAGANO would take off without any prior notice. On most days that PAGANO took off, [redacted] could reach him on his cellular telephone if she needed something.

[redacted] thought that PAGANO had been close to [redacted] [redacted] thought that [redacted] and that the [redacted]

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At PAGANO's funeral, [redacted] had a discussion with [redacted] Both [redacted] and [redacted] discussed their observations on how much PAGANO had changed over the years. When [redacted] first began working at METRA, PAGANO had an open door policy where she and other executives could come to his office unannounced. Approximately 3-4 years ago, PAGANO became less approachable. [redacted] and the other executives were blocked from approaching PAGANO in his office unannounced and had to schedule appointments ahead of time. [redacted] never understood the change because in

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Continuation of FD-302 of _____, On 06/15/2010, Page 7

her opinion, [] executives only approached PAGANO if the matter was important, not for petty matters. [] told [] that he had also observed that PAGANO had pulled back from co-workers and withdrew from his circle of friends.

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PAGANO never voiced any financial concerns to []

To [] knowledge, no one in METRA has located a signed copy of the [] certificate that supposedly authorized PAGANO to cash out vacation time.

After PAGANO's funeral, [] had a discussion with [] who had been [] Before PAGANO committed suicide, he had called [] and asked her to tell [] that he was thankful for her service and he was sorry for everything he had put her through. [] told [] that PAGANO had called her on a Friday night after business hours. [] thinks that PAGANO did not contact her directly because he was aware that he was not supposed to have any contact with []

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[] stated that PAGANO had put her through a lot and she was very angry with him. [] felt that PAGANO had been lying to her all along, which made her angry. She provided

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[] realizes that [] in her position would have felt that it was their job to protect METRA and PAGANO. [] feels that she was hired by METRA to []

[] and to [] was also angry with PAGANO because he had always stressed to her that []

[]

- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 07/30/2010

[redacted] date of birth [redacted] Social Security Account Number [redacted] residential address [redacted] [redacted] Illinois, business telephone number [redacted] was interviewed at her place of business, 547 W. Jackson Boulevard, Chicago, Illinois. Also present during the course of the interview were Special Agent (SA) [redacted] with the U.S. Department of Transportation Office of Inspector General, attorney [redacted] (representing [redacted], and attorney [redacted]. After being advised of the identity of the interviewing agents and the nature of the interview, [redacted] provided the following information:

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Prior to beginning the interview, SA [redacted] presented and read a Garrity waiver form to [redacted] and [redacted] reviewed the Garrity waiver and then [redacted] voluntarily signed the waiver form, thereby waiving her Garrity rights.

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[redacted] has worked for METRA since approximately [redacted] From [redacted] until approximately [redacted] served as the [redacted] for METRA. From approximately [redacted] until [redacted] served as the [redacted] From [redacted] until present, [redacted] title has been [redacted]

As the [redacted] supervises [redacted] METRA employees. [redacted] Executive Director of METRA, which had been PHIL PAGANO until his death. [redacted] primary responsibilities include [redacted]

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[redacted] is also the primary point of contact for [redacted]

211 [redacted] 01.302

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b7CInvestigation on 7/29/2010 at Chicago, ILFile # 46F-CG-132057

Date dictated _____

by SA [redacted]

46F-CG-132057

Continuation of FD-302 of [REDACTED]

, On 7/29/2010, Page 2

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METRA pays several outside companies to lobby and represent Metra interests in state and federal legislative matters. METRA uses these companies to keep METRA officials up to date about proposed legislative matters, assemble pertinent documents prior to legislative hearings, and prepare economic studies for the Federal Transportation Authority and for state and federal legislators.

METRA hired Raushe and Associates to represent and lobby for METRA interests at a state level. METRA pays Raushe and Associates approximately \$6,000.00 per month. Raushe and Associates was providing lobbying services for METRA prior to [REDACTED] joining METRA. [REDACTED] does not know what criteria was used to select Raushe and Associates or who within Metra selected them.

METRA hired Cullen and Associates to represent and lobby for METRA interests at a state level. METRA pays Cullen and Associates approximately \$4,000.00 per month. Cullen and Associates was selected by [REDACTED] [REDACTED] does not know what criteria was used to select Cullen and Associates.

METRA hired Government Consulting Inc to represent and lobby for METRA interests at a state level. METRA pays Government Consulting Inc approximately \$6,000.00 per month. Government Consulting Inc was selected by [REDACTED] to lobby for METRA. [REDACTED] does not know what criteria was used to select Government Consulting Inc.

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METRA hired Capricorn Communications to advise METRA about state and federal legislation. Capricorn Communications is owned and operated [REDACTED] METRA pays Capricorn Communications approximately \$15,000.00 per month. Capricorn Communications was picked by PAGANO to lobby for METRA interests. [REDACTED] does not know what criteria PAGANO used to select Capricorn Communications. [REDACTED] is aware that METRA and Capricorn Communications entered into a professional services contract but she is not familiar with the rules and regulations pertaining to professional services contracts.

METRA hired the Carmen Group to represent and lobby for METRA interests at a federal level. The amount of money that METRA pays the Carmen Group varies. At peak times, METRA has paid the Carmen Group approximately \$39,000.00 per month. METRA currently pays the Carmen Group approximately \$25,000.00 per month.

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Continuation of FD-302 of [REDACTED], On 7/29/2010, Page 3

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METRA has a long-standing business relationship with the Carmen Group. Prior to [REDACTED] joining METRA in [REDACTED] METRA employed the services of Linton, Riesler and Cottone to represent METRA interests at the federal level. [REDACTED] who was one of the partners of Linton, Riesler, and Cottone, was known as [REDACTED]

[REDACTED] Linton, Riesler, and Cottone was subsequently purchased by the Carmen Group and the firm made a seamless transition to represent Metra.

[REDACTED] currently [REDACTED] and [REDACTED] at the Carmen Group. [REDACTED] has previously [REDACTED] at the Carmen Group. [REDACTED] does not have any professional contact with [REDACTED] at the CARMEN GROUP. [REDACTED] has met [REDACTED] and knew him through his father, [REDACTED] will occasionally see [REDACTED] has no involvement with METRA matters.

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METRA maintains contract files, which would include service agreements with any outside lobbying firms or government consulting firms. The contract files would be located in the Executive Director's office suite (Pagano's) and a copy would also be located in the procurement division of METRA.

[REDACTED] Standard business practice is that [REDACTED] reviews the invoices and then forwards them to METRA's [REDACTED] would sign off on the invoices and would then forward them to the accounts payable division at METRA where the invoices would be paid.

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[REDACTED] is not familiar with Title 49 requirements. [REDACTED] is not familiar with the reporting and disclosure requirements for the use of outside lobbying firms. [REDACTED] was aware that METRA stopped filing lobbying disclosure forms in approximately 2003. [REDACTED] stated that METRA's legal department, and she assumes [REDACTED] handled reporting and disclosure requirements for METRA in regards to lobbying.

[REDACTED] was not aware of any misconduct on PAGANO's part, either prior to the allegations surfacing or after the allegations surfaced. [REDACTED] last spoke with PAGANO approximately one day before he killed himself. PAGANO called [REDACTED] and thanked her for her

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Continuation of FD-302 of [REDACTED], On 7/29/2010, Page 4

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service with METRA. [REDACTED] told PAGANO that everything would be okay. The two did not discuss any of the allegations about PAGANO. [REDACTED] described their relationship as professional and stated that PAGANO [REDACTED]

UNCLASSIFIED

FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE

Date: 08/11/2010

To: Chicago

From: Chicago

WC-3

Contact: SA [REDACTED]

Approved By: [REDACTED]

Drafted By: [REDACTED]

Case ID #: 46F-CG-132057 ✓ (Pending)

Title: PHIL PAGANO;
EXECUTIVE DIRECTOR OF METRA;
THEFT OF FEDERAL FUNDS;
US DEPARTMENT OF TRANSPORTATION

Synopsis: To document meetings with outside agencies, to provide update to investigation, and to claim statistical accomplishment(s).

Details: On Monday, July 15, 2010, writer attended a meeting at the United States Attorneys Office in the Northern District of Illinois, 219 S Dearborn, Chicago, Illinois. Present during the meeting were Assistant United States Attorney (AUSA) [REDACTED] [REDACTED] Special Agent [REDACTED] with the US Department of Transportation Office of Inspector General, and representatives from Hillard and Heintze, which was the company hired as the interim Inspector General (IG) for METRA.

The purpose of the meeting was for Hillard and Heintze to provide an update as to the status of METRA's internal inquiries relating to Phil Pagano and to provide additional information relating to newly reported accusations.

As the interim IG for METRA, Hillard and Heintze established an email and telephone hotline as a way for METRA employees to report possible criminal misconduct and/or improper business practices within METRA. As of the date of the meeting, Hillard and Heintze received approximately 80 complaints, many of which were anonymous.

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UNCLASSIFIED

To: Chicago From: Chicago
Re: 46F-CG-132057, 08/11/2010

During the meeting, Hillard and Heintze requested guidance on how to proceed with information they receive that may be criminal in nature. AUSA [] advised that information which may be criminal in nature should be forwarded to the FBI for further assessment.

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On Thursday, July 15, writer participated in a meeting at the office of Hillard and Heintze, 30 S Wacker, Chicago, Illinois. Present during the meeting were SA [] who is [] for Hillard and Heintze, [] who is [] for Hillard and Heintze, and [] who as a [] for Hillard and Heintze.

During the meeting, all complaints received to date were reviewed. Of the approximately 80 complaints, writer and SA [] requested additional information for 10 of the complaints which may be criminal in nature. Hillard and Heintze advised that they would gather additional information and forward to write and SA []

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To: Chicago From: Chicago
Re: 46F-CG-132057, 08/11/2010

Accomplishment Information:

Number: 2

Type: POSITIVE INTELLIGENCE (DISSEMINATED OUTSIDE FBI)

ITU: LIAISON WITH OTHER AGENCY

Claimed By:

SSN:

Name:

Squad: WC3

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FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE

Date: 08/11/2010

To: Chicago

From: Chicago

WC-3

Contact: SA [REDACTED]

Approved By: [REDACTED]

Drafted By: [REDACTED]

Case ID #: 46F-CG-132057 (Pending)

Title: PHIL PAGANO;
EXECUTIVE DIRECTOR OF METRA;
THEFT OF FEDERAL FUNDS;
US DEPARTMENT OF TRANSPORTATION

Synopsis: To document case strategy meeting with the United States Attorneys Office to claim statistical accomplishment.

Details: On Tuesday, August 03, 2010, writer participated in a meeting with Assistant United States Attorney (AUSA) [REDACTED] [REDACTED] Special Agent (SA) [REDACTED] with the U.S. Department of Transportation Office of Inspector General, and AUSA [REDACTED] [REDACTED] who is the Chief of Public Corruption for the United States Attorney Office in the Northern District of Illinois.

The purpose of the meeting was to provide an investigative update to the USAO and to obtain prosecutable opinion from the USAO. Also discussed during the meeting were possible investigative steps to be taken moving forward.

The USAO concurs with FBI Chicago's current investigative strategy and is committed to prosecution if enough evidence of criminal wrongdoing can be gathered.

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UNCLASSIFIED

To: Chicago From: Chicago
Re: 46F-CG-132057, 08/11/2010

Accomplishment Information:

Number: 1

Type: POSITIVE INTELLIGENCE (DISSEMINATED OUTSIDE FBI)

ITU: LIAISON WITH OTHER AGENCY

Claimed By:

SSN:

Name:

Squad: WC3

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FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE

Date: 09/24/2010

To: Chicago

From: Chicago

WC-3

Contact: SA [REDACTED]

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Approved By: [REDACTED]

Drafted By: [REDACTED]

Case ID #: 46F-CG-132057 (Pending)

Title: PHIL PAGANO;
EXECUTIVE DIRECTOR OF METRA;
THEFT OF FEDERAL FUNDS;
U.S. DEPT. OF TRANSPORTATION

Synopsis: To document meeting with the Better Government Association.

Details: Per the request of ASAC [REDACTED] writer, accompanied by U.S Department of Transportation Special Agent [REDACTED] met with [REDACTED] on Tuesday, September 21, 2010. [REDACTED] is an [REDACTED] for the Better Government Association, 223 W. Jackson Blvd, Suite 620, Chicago, Illinois, telephone number [REDACTED] cellular telephone number [REDACTED] facsimile number [REDACTED]

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[REDACTED] is currently writing a newspaper article on PAGANO and METRA. [REDACTED] provided the following information to writer and SA [REDACTED] although the information is not substantiated:

1. PAGANO was involved in several land deals [REDACTED]

2. PAGANO was gambling [REDACTED]

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207 [REDACTED] P1. EC

-28

UNCLASSIFIED

To: Chicago From: Chicago
Re: 46F-CG-132057, 09/24/2010

3. The McHenry County Government is corrupt and is heavily involved with METRA. PAGANO, [REDACTED] and [REDACTED] all live in McHenry County and are involved with the local government. According to [REDACTED] McHenry County Republicans have long held control of METRA and CTA.

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4. PAGANO's [REDACTED] knows what PAGANO was doing with all of the money.

5. [REDACTED] along with McHenry County Sheriffs Deputies were present at PAGANO's residence the night before he committed suicide.

6. PAGANO had a VIP card for a casino in Indiana.

[REDACTED] wanted to confirm if any of this information was accurate or was being investigated by the FBI or the U.S. Department of Transportation. Writer and SA [REDACTED] informed [REDACTED] that they could not comment on ongoing investigative matters.

[REDACTED] stated that writer and/or SA [REDACTED] could contact him to get information out to the public or to talk "off the record". [REDACTED] was informed that any media matters relating to the FBI would be handled through [REDACTED] and the FBI Chicago media office.

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Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 11/10/10 Time: 16:52

Case ID: 46F-CG-132057 Serial: 29

Description of Document:

Type : INLET

Date : 10/06/10

To : CHICAGO

From : CHICAGO

Topic: LETTER REC'D FROM US DEPT OF EDUCATION OFFICE OF INSP GEN

Reason for Permanent Charge-Out:

serial entered into wrong case id

Transferred to:

Case ID: 46F-CG-131932 Serial: 10

Employee:

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Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 11/10/10 Time: 16:53

Case ID: 46F-CG-132057 Serial: 30

Description of Document:

Type : EC
Date : 11/08/10
To : CHICAGO
From : CHICAGO
Topic: REQUEST FINANCIAL ANALYST (FA) ASSISTANCE.

Reason for Permanent Charge-Out:

serial entered into wrong case id

Transferred to:

Case ID: 46F-CG-131932 Serial: 11

Employee:

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UNCLASSIFIED

FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE

Date: 11/16/2010

To: Chicago

Attn: SSA [REDACTED]
Squad WC-2

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From: Chicago
WC-3

Contact: SA [REDACTED]

Approved By: [REDACTED]

Drafted By: [REDACTED]

Case ID #: 46F-CG-132057 (Pending)

Title: PHIL PAGANO;
EXECUTIVE DIRECTOR OF METRA;
THEFT OF FEDERAL FUNDS;
U.S. DEPT. OF TRANSPORTATION

Synopsis: To request the transfer of captioned case.

Details: Effective November 21, 2010, writer is transferring from Squad WC-3 to Squad WC-2. Therefore, it is respectfully requested that the captioned investigation be transferred to Squad WC-2.

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320 [REDACTED] 03. EC

-31

www.chicagotribune.com/news/local/ct-met-metra-1206-20101206,0,491869.story

chicagotribune.com

Attorney: Metra boss supported 3 households

Pagano's widow fights \$1 million in debts

By Richard Wronski, Tribune reporter

8:40 PM CST, December 6, 2010

Metra's longtime chief was supporting two other households in addition to his own, leaving his wife with staggering debts after he took his life, according to a lawyer for Phil Pagano's widow.

James Mullally, who represents Barbara Pagano, made the disclosure in federal bankruptcy court last week, claiming that she was left with more than \$1 million in debts.

Saying he didn't want to get involved in "innuendo and hearsay," Mullally said that "in addition to the household in Crystal Lake ... Pagano had not one, but two additional households, one in Palatine and one in downtown Chicago," according to a court transcript.

It wasn't known who belonged to those households. Mullally on Monday declined to provide any names or details. Nor would he say if Barbara Pagano had determined who might belong to the "other households."

Mullally told the bankruptcy judge during Wednesday's federal court session in Rockford — first reported by the Tribune — that more information needed to be "flushed out," and that effort was continuing.

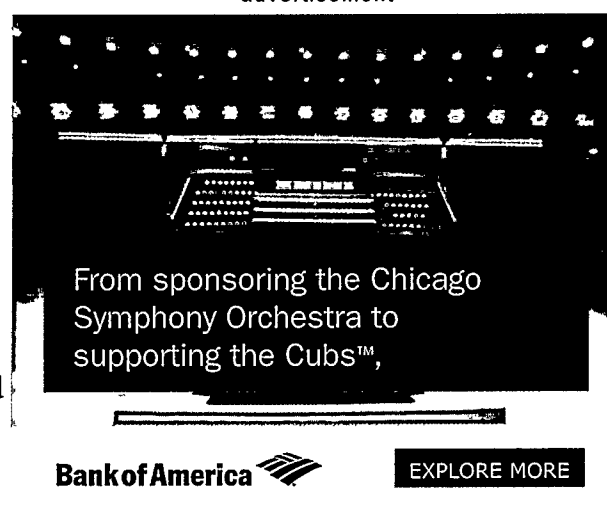
At the time, Mullally vowed that Barbara Pagano would fight her creditors, saying she was not responsible for the debts.

The disclosure that Pagano was supporting others with his money begins to answer the mystery of what the Metra executive director was doing with the hundreds of thousands of dollars in salary and extra compensation he had gotten in recent years.

Pagano faced an ever growing need for cash, according to a special counsel who investigated the case for Metra.

Facing likely firing for taking \$475,000 in unapproved vacation payments and possibly breaking the law by forging two memos to cover his tracks, Pagano, 60, committed suicide May 7 near his Crystal Lake home.

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46F- CG- 132057-33 12/07/10

Barbara Pagano, 54, said she was left with no cash or savings, but with \$255,000 in credit card and other debts and \$765,000 in mortgage claims, according to her bankruptcy petition. But her husband took home more than \$1 million this year, largely from payments from a deferred compensation plan, records show.

Mullally urged the bankruptcy judge last week to declare a \$500,000 insurance policy on Phil Pagano's life off-limits to the creditors. Barbara Pagano is also fighting to keep her share of his Metra pension, estimated at \$80,000 a year.

Most of the claims against Barbara Pagano "consist of debts that were rung up by her husband," Mullally said, according to the transcript.

"And out of the ... debt that's out there, we intend to challenge each and every claim against Ms. Pagano," Mullally said. "She had nothing to do with incurring this debt."

Barbara Pagano's bankruptcy petition says she faces claims from nearly three dozen creditors, including credit card companies, financial firms, department stores and banks.

Among them is nearly \$50,000 she said her husband owes United Airlines. Other debts include \$3,342 to Diners Club, \$9,875 to Nordstrom's and \$6,843 to Target.

A lender, Beneficial Illinois, also has two mortgages totaling \$765,000 against Pagano's Crystal Lake home, where the couple raised two children. Barbara Pagano says the home is valued at \$340,000.

Repeating what he said in court, Mullally said Monday that Barbara Pagano would go after any assets she was entitled to as a spouse, including any money that her husband might have given to someone else for support.

No will for Phil Pagano is on file in McHenry County, and the estate is not in probate court.

"I think the (Pagano) attorneys would open an estate to pursue whatever assets there are," bankruptcy trustee Steven Balsley said.

Balsley is challenging Barbara Pagano's claim that the life insurance money is exempt from creditors. The trustee's obligation is to referee the bankruptcy case on behalf of the court and ensure that creditors are fairly compensated.

If Phil Pagano gave his money to people other than his wife, Balsley said he was "absolutely" obligated to go after it as well.

Although it is not listed as a creditor, Metra has said it would also seek \$127,000 that Phil Pagano owes the agency.

rwronski@tribune.com

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www.chicagotribune.com/news/local/ct-met-pagano-bankruptcy-20101201,0,3675835.story

chicagotribune.com

Pagano bankruptcy case adds to Metra mystery

Pagano's widow claims more than \$1 million in debts

By Richard Wronski, Tribune reporter

9:54 PM CST, December 1, 2010

The widow of longtime Metra chief Phil Pagano, who dramatically boosted his salary and other compensation in the months before he killed himself, is in the midst of a bankruptcy court battle, claiming she was left without cash or savings and is more than \$1 million in debt.

The bankruptcy petition, which seeks to protect Barbara Pagano against outstanding debts, offers a puzzling financial portrait of a widow apparently left with limited means despite having been the wife of one of Chicago's top-paid public officials.

She lists the proceeds from a \$500,000 life insurance policy as an asset as well as the couple's Crystal Lake home where they raised two children. But a mortgage lender has a \$765,000 claim against the property, valued at \$340,000, according to the court filing.

Pagano also faces nearly \$256,000 in other liabilities from nearly three dozen creditors, including numerous credit card companies, financial firms, department stores, airlines and banks. They range from two claims from United Mileage Plus Cardmember Services totaling nearly \$50,000 to a \$69 claim from Toys "R" Us, the filing says.

The bankruptcy case only magnifies the mystery of why Phil Pagano developed a growing need for cash atop his generous salary for running Metra 20 years and — more important — what he did with that money. It also raises the question of how a nationally regarded transportation executive praised for running a fiscally sound railroad could rack up hundreds of thousands of dollars in mortgage and credit card debts.

Pagano's 2009 salary was \$270,000, but he was paid more than \$1 million this year, largely from payments from a deferred compensation program, a special pay arrangement set up for Pagano and one of his aides, records show. Borrowing heavily against that plan, he ended up owing Metra \$127,000.

Pagano's financial needs were acute, a special investigator determined in April. He was found to have taken \$475,000 in unapproved vacation payments from Metra over the years. His forgery of two memos to cover his tracks proved to be his downfall.



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46F-CG-132057-MAIN 12/10/10

Just as Metra's board of directors was about to fire him May 7, Pagano, 60, stepped in front of a commuter train not far from his Crystal Lake home.

A hearing on his wife's Chapter 7 bankruptcy filing was held Wednesday in federal court in Rockford. The case was initiated in September.

Rockford attorney Stephen Balsley, the court-appointed trustee helping to resolve the case, expressed surprise Wednesday at the size of Phil Pagano's 2010 Metra pay and how none of it was reflected in Barbara Pagano's filing.

Balsley said he is challenging Barbara Pagano's claim that the \$500,000 insurance policy is exempt from creditors. Balsley said he also was unaware she was going to receive an \$80,000 Metra pension.

"Whether it's \$60,000 or \$80,000 a year, she has no dependents, so she's going to live like a pretty well-off middle-class American, and she doesn't need \$500,000 to support herself," Balsley said.

He wondered how the couple could have owned a home since 1989 but ended up with no equity and owing \$765,000 with two mortgages.

In her bankruptcy filing, Barbara Pagano, 54, lists an income of \$4,900 a month, or \$58,800 a year, but expenses of \$5,135 a month.

The former teacher also lists as "unknown" the value of property from the estate of her husband; a Boulder Ridge Country Club membership; and the value of pension benefits due her from Metra.

The Regional Transportation Authority said in October that Barbara Pagano would receive an \$80,000-a-year survivor benefit based on her husband's pension. But that amount is still being negotiated, Metra said Wednesday.

The agency had no comment on the bankruptcy filing and is not a creditor, spokeswoman Judy Pardonnet said.

Reached at her home Wednesday evening, Barbara Pagano said she had no comment.

Her attorney, James Mullally, of Marengo, declined to discuss the case.

McHenry County property records show the Paganos repeatedly refinanced their home with ever-escalating mortgages since buying it in 1989 for \$177,000.

They obtained a \$306,590 mortgage in October 2002, a \$319,500 refinance in July 2005, a \$364,387 mortgage in November 2006 and a \$389,687 refinance in February 2007, according to the county recorder's office.

Phil Pagano was "badly in need of money for personal reasons," according to special counsel James Sotos, who investigated Pagano at the request of Metra directors.

Pagano became "more and more aggressive" in the last two years at seeking vacation pay on top of his salary at Metra, Sotos said.

Pagano forged Metra Chairwoman Carole Doris' name on two memos authorizing him to receive two \$57,000 vacation payments, Sotos found.

Pagano never acknowledged what he needed the money for or where it went. Federal and state investigations have shed no light on the matter.

In closed meetings with Metra directors and Sotos, an emotional and remorseful Pagano admitted he had erred but offered no explanation for his actions.

Pagano left a suicide note saying he had done nothing wrong and pleading that his family not be denied his pension benefits, according to a McHenry County sheriff's police report.

"Again on my dying breathe (sic) ... I have done nothing wrong. (My family) need your help. Please," the note concluded.

WGN-TV reporter Julie Unruh contributed to this report.

rwronski@tribune.com

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- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 12/14/2010

[redacted] (hereinafter referred to as [redacted]
[redacted], date of birth [redacted] Social Security Account Number [redacted]
[redacted] residential address [redacted]
[redacted] Chicago, Illinois [redacted] cellular telephone number [redacted]
was interviewed at the United States Attorneys Office in the
Northern District of Illinois, 219 S. Dearborn, Chicago, Illinois.
Also present during the interview were [redacted]
[redacted] Assistant United States Attorney (AUSA) [redacted]
and U.S. Department of Education Special Agent [redacted] After
being advised of the identity of the interviewing agents and the
nature of the interview, [redacted] provided the following information:

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[redacted] is currently employed as a [redacted]
[redacted] Chicago, Illinois, business telephone number [redacted]
has worked for [redacted] for approximately [redacted]
years. [redacted]
[redacted] for METRA is
handled by [redacted]
which is completely separate from the [redacted]
stated that she has never worked for [redacted]
[redacted] and has never handled any [redacted]
matters relating to [redacted] contract with
METRA.

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[redacted] began working for [redacted] in
approximately [redacted] [redacted] knew of
[redacted] PHIL PAGANO
(deceased), was friends with [redacted] who at that time, was the
[redacted] PAGANO
and [redacted] had been friends with one another since [redacted]
[redacted] PAGANO and
[redacted] would go on golfing trips together, but [redacted]
[redacted] did not know [redacted] well, but
knew [redacted] is aware that [redacted] and [redacted]
now own a company called [redacted] last saw [redacted]
around the time of [redacted]

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348 [redacted] 01.362

Investigation on 12/09/2010 at Chicago, ILFile # 46F-CG-132057-34 Date dictated _____

by SA [redacted]

46F-CG-132057

Continuation of FD-302 of [REDACTED], On 12/09/2010, Page 2

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During the interview, [REDACTED] were provided with a copy of a spreadsheet showing payments made from

[REDACTED]

[REDACTED] explained that [REDACTED]

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[REDACTED]

[REDACTED] is not aware of [REDACTED] or [REDACTED] ever hiring PAGANO to do any work. [REDACTED] is not aware of PAGANO ever receiving any money from [REDACTED] or from [REDACTED]

[REDACTED]

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[REDACTED]

46F-CG-132057

Continuation of FD-302 of [REDACTED], On 12/09/2010, Page 3

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[REDACTED] is not aware of [REDACTED]
[REDACTED] Looking back, [REDACTED] wishes
[REDACTED]
[REDACTED] would be able to assist
law enforcement with the ongoing investigation.

At the conclusion of the interview, [REDACTED]
[REDACTED] agreed to contact the interviewing agents if any
additional information develops as to any personal and/or financial
difficulties that PAGANO was experiencing before his suicide.



U.S. Department of Justice

Federal Bureau of Investigation

In Reply, Please Refer to

File No.

46F-CG-132057-35

Chicago, IL

January 19, 2011

PHIL PAGANO;
EXECUTIVE DIRECTOR OF METRA;
THEFT OF FEDERAL FUNDS;
U.S. DEPARTMENT OF TRANSPORTATION

On 05/07/2010, a full investigation was opened regarding the potential theft of federal funds associated with the Chicago Metra train system. The investigation was opened after allegations surfaced on 04/22/2010 that Philip A. Pagano (now deceased), the Executive Director of Metra, date of birth 02/25/1950, Social Security Account Number 090-42-1705, residential address 6805 New Hampshire Trail, Crystal Lake, Illinois, had been fraudulently obtaining money from Metra. Specifically, Craines Business News Chicago received information from a reported reliable source that Pagano had fraudulently given himself a \$56,000 bonus on top of his approximately \$266,000 annual salary.

By way of background, Pagano was the long-time director of Metra. Metra is the marketing brand name for the commuter train system that runs throughout the Chicago land area. The official name is the Commuter Rail Division which falls under the state of Illinois Regional Transportation Authority (RTA). As such, Metra's operating expenses are funded in part by monies received from the United States Department of Transportation. In addition to receiving federal funding, Metra operations extend throughout Illinois and into the states of Wisconsin and Indiana, thereby creating an interstate nexus.

On Friday, April 30, 2010, the Metra Board of Directors met and the board members were presented with the allegations and the findings from the internal investigation up to that point. Pagano also met with the Board of Directors and he admitted to "making this one mistake". Pagano told the board that the "mistake was not made for illegal purposes: not drugs, alcohol, gambling, whatever. It's a personal reason." After listening to the allegations and findings, the board voted to place Pagano on paid administrative leave.

On Friday, May 08, 2010, the Metra Board of Directors was scheduled to meet and receive an update on the internal

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investigation. It was expected that the Metra Board of Directors was going to vote to terminate Pagano's employment. However, the Board did not meet. At approximately 8:00am CST, Pagano stepped in front of a moving Metra train and committed suicide. The McHenry County Sheriff's Office investigated the suicide and found multiple suicide notes on Pagano's body and at Pagano's residence. Although the suicide notes did not state what Pagano was doing with money, the notes did state to his family that they would find out things about him that would make them hate him.

To date, the investigation has determined that Pagano forged the signature of [redacted] on authorization documents and illegally cashed in vacation days. As a result of the forgeries, Pagano received a cash windfall of approximately \$475,000. It is suspected, but not yet confirmed that he may have been embezzling other METRA funds. It has never been determined that Pagano directly stole any federal funds allocated to Metra. Additionally, the investigation has not identified any occasion where Pagano used money to bribe public officials as a means to cover up his embezzlement or generate general support for Metra operations.

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In an effort to identify possible co-conspirators who might have been associated with the alleged embezzlement and potential fraud against the government, the case agent identified and interviewed at least four women with whom Pagano was engaging in extramarital affairs. It is now believed that Pagano was using the embezzled funds to pay for the multiple affairs. Pagano sometimes claimed to his girlfriends that [redacted] when girlfriends discovered that he [redacted] On 12/07/2010, Chicago newspapers reported that Pagano was financially maintaining three separate households, creating the public inference that he was supporting multiple girlfriends.

On 12/09/2010, an interview of [redacted] took place at the U.S. Attorney's Office for the Northern District of Illinois. The interview occurred at the U.S. Attorney's Office due to the fact [redacted] are represented by counsel. [redacted] is currently involved in a [redacted]

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[redacted] Based upon the FBI interview, the [redacted] appeared to have been completely unaware of [redacted] fraudulent activities and extramarital affairs.

The investigation has not identified any occasion where [redacted] were engaged in

46F-CG-132057

fraudulently obtaining money from Metra. Based on multiple interviews and review of financial documents, it is believed that

[REDACTED]

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However, the investigation did identify a possible co-conspirator that may have helped Pagano [REDACTED]

[REDACTED] On [REDACTED] FBI Chicago and the U.S. Department of Transportation conducted an interview of

[REDACTED]

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[REDACTED] Also present during the interview was

During the interview, [REDACTED]

[REDACTED] During the interview,

[REDACTED]

[REDACTED] Also during the interview, [REDACTED]

[REDACTED]

[REDACTED] Members of the Metra Board of Directors were interviewed and [REDACTED]

[REDACTED]

[REDACTED] FBI Chicago is currently awaiting a decision by the United States Attorneys Office on whether or not the FBI may legally have access to [REDACTED]

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[REDACTED] If so, then a search of [REDACTED]

[REDACTED]

This investigation has been worked jointly with the U.S. Department of Transportation Office of Inspector General. The point of contact is Special Agent [REDACTED] telephone

46F-CG-132057

number [] The assigned prosecutor is Assistant United
States Attorney [] telephone number []

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UNCLASSIFIED

FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE

Date: 01/19/2011

To: Criminal Investigative

Attn: SSA [REDACTED]
Public Corruption Unit,
Room 3973

From: Chicago
WC-2

Contact: SA [REDACTED]

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Approved By: [REDACTED]

Drafted By: [REDACTED]

Case ID #: 46F-CG-132057, ³⁶ (Pending)

Title: PHIL PAGANO;
EXECUTIVE DIRECTOR OF METRA;
THEFT OF FEDERAL FUNDS;
U.S. DEPARTMENT OF TRANSPORTATION

Synopsis: To provide case update to PCU.

Enclosure(s): Enclosed for PCU is one original LHM and one copy.

Details: On 05/07/2010, a full investigation was opened regarding the potential theft of federal funds associated with the Chicago Metra train system. The investigation was opened after allegations surfaced on 04/22/2010 that Philip A. Pagano (now deceased), the Executive Director of Metra, date of birth 02/25/1950, Social Security Account Number 090-42-1705, residential address 6805 New Hampshire Trail, Crystal Lake, Illinois, had been fraudulently obtaining money from Metra. Specifically, Craines Business News Chicago received information from a reported reliable source that Pagano had fraudulently given himself a \$56,000 bonus on top of his approximately \$266,000 annual salary.

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UNCLASSIFIED

To: Criminal Investigative From: Chicago
Re: 46F-CG-132057, 01/19/2011

received from the United States Department of Transportation. In addition to receiving federal funding, Metra operations extend throughout Illinois and into the states of Wisconsin and Indiana, thereby creating an interstate nexus.

On Friday, April 30, 2010, the Metra Board of Directors met and the board members were presented with the allegations and the findings from the internal investigation up to that point. Pagano also met with the Board of Directors and he admitted to "making this one mistake". Pagano told the board that the "mistake was not made for illegal purposes: not drugs, alcohol, gambling, whatever. It's a personal reason." After listening to the allegations and findings, the board voted to place Pagano on paid administrative leave.

On Friday, May 08, 2010, the Metra Board of Directors was scheduled to meet and receive an update on the internal investigation. It was expected that the Metra Board of Directors was going to vote to terminate Pagano's employment. However, the Board did not meet. At approximately 8:00am CST, Pagano stepped in front of a moving Metra train and committed suicide. The McHenry County Sheriff's Office investigated the suicide and found multiple suicide notes on Pagano's body and at Pagano's residence. Although the suicide notes did not state what Pagano was doing with money, the notes did state to his family that they would find out things about him that would make them hate him.

To date, the investigation has determined that Pagano forged the signature of [REDACTED] on authorization documents and illegally cashed in vacation days. As a result of the forgeries, Pagano received a cash windfall of approximately \$475,000. It is suspected, but not yet confirmed that he may have been embezzling other METRA funds. It has never been determined that Pagano directly stole any federal funds allocated to Metra. Additionally, the investigation has not identified any occasion where Pagano used money to bribe public officials as a means to cover up his embezzlement or generate general support for Metra operations.

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In an effort to identify possible co-conspirators who might have been associated with the alleged embezzlement and potential fraud against the government, the case agent identified and interviewed at least four women with whom Pagano was engaging in extramarital affairs. It is now believed that Pagano was using the embezzled funds to pay for the multiple affairs. Pagano sometimes claimed to his girlfriends that [REDACTED]

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To: Criminal Investigative From: Chicago
Re: 46F-CG-132057, 01/19/2011

[redacted] when girlfriends discovered that [redacted]
On 12/07/2010, Chicago newspapers reported that Pagano was financially maintaining three separate households, creating the public inference that he was supporting multiple girlfriends.

On 12/09/2010, an interview of [redacted]
[redacted] took place at the U.S. Attorney's Office for the Northern District of Illinois. The interview occurred at the U.S. Attorney's Office due to the fact [redacted]
[redacted] are represented by counsel. [redacted] is currently involved in a [redacted]

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[redacted] Based upon the FBI interview, the [redacted] appeared to have been completely unaware of [redacted] fraudulent activities and extramarital affairs.

The investigation has not identified any occasion where [redacted] were engaged in fraudulently obtaining money from Metra. Based on multiple interviews and review of financial documents, it is believed that [redacted]

However, the investigation did identify a possible co-conspirator that may have helped Pagano [redacted]

[redacted] On [redacted] FBI Chicago and the U.S. Department of Transportation conducted an interview of [redacted]

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[redacted] Also present during the interview was [redacted]

During the interview, [redacted] During the interview, [redacted]

[redacted] Also during the interview, [redacted]

[redacted] Members of the Metra Board of Directors were interviewed and [redacted]

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To: Criminal Investigative From: Chicago
Re: 46F-CG-132057, 01/19/2011

[REDACTED]

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[REDACTED]
[REDACTED] FBI Chicago is currently
awaiting a decision by the United States Attorneys Office on
whether or not the FBI may legally have access to [REDACTED]
[REDACTED] If so, then
a search of [REDACTED]
[REDACTED]

This investigation has been worked jointly with the
U.S. Department of Transportation Office of Inspector General.
The point of contact is Special Agent [REDACTED] telephone
number [REDACTED] The assigned prosecutor is Assistant United
States Attorney [REDACTED] telephone number [REDACTED]

UNCLASSIFIED

UNCLASSIFIED

To: Criminal Investigative From: Chicago
Re: 46F-CG-132057, 01/19/2011

LEAD(s) :

Set Lead 1: (Info)

CRIMINAL INVESTIGATIVE

AT WASHINGTON, DC

Read and clear.

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Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 01/03/12 Time: 16:03

Case ID: 46F-CG-132057 Serial: 37

Description of Document:

Type : EC
Date : 03/03/11
To : CHICAGO
From : CHICAGO
Topic: REQUEST OPENING A FA SUBFILE TO ABOVE TITLED CASE.

Reason for Permanent Charge-Out:

Ec was typed to open a sub FA file; however, the ec listed the incorrect file number. Serial transferred to the correct file number.

Transferred to:

Case ID: 46F-CG-131932-FA Serial: 2

Employee:

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-37
46F-CG-132057

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FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE

Date: 09/23/2011

To: Criminal Investigative

Attn: SSA [REDACTED]
Public Corruption Unit,
Room 3973

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From: Chicago
WC-2

Contact: SA [REDACTED]

Approved By: [REDACTED]

Drafted By: [REDACTED]

Case ID #: 46F-CG-132057-38 (Pending)

Title: PHIL PAGANO;
EXECUTIVE DIRECTOR OF METRA;
THEFT OF FEDERAL FUNDS;
U.S. DEPARTMENT OF TRANSPORTATION

Synopsis: To provide case update to PCU.

Reference: 46F-CG-132057 Serial 36 (Previous case update EC forwarded to PCU)

Details: On 05/07/2010, a full investigation was opened regarding the potential theft of federal funds associated with the Chicago Metra train system. The investigation was opened after allegations surfaced on 04/22/2010 that Philip A. Pagano (now deceased), the Executive Director of Metra, date of birth 02/25/1950, Social Security Account Number 090-42-1705, residential address 6805 New Hampshire Trail, Crystal Lake, Illinois, had been fraudulently obtaining money from Metra. Specifically, Craines Business News Chicago received information from a reported reliable source that Pagano had fraudulently given himself a \$56,000 bonus on top of his approximately \$266,000 annual salary.

To date, the investigation has determined that Pagano forged the signature of [REDACTED] on authorization documents and illegally cashed in vacation days. As a result of the forgeries, Pagano received a cash

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266 [REDACTED] 01. EC. WPD

38
46F-CG-132057

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To: Criminal Investigative From: Chicago
Re: 46F-CG-132057, 09/23/2011

windfall of approximately \$475,000. The investigation did not uncover any evidence that Pagano had been embezzling other METRA funds or that Pagano directly stole any federal funds allocated to Metra. Additionally, the investigation did not uncover any evidence that identified any occasion where Pagano used money to bribe public officials as a means to cover up his embezzlement or generate general support for Metra operations. On Friday, 05/08/2010, Pagano committed suicide by standing in front of a moving Metra train.

During the course of the investigation, multiple women were identified and interviewed who Pagano had been engaging in extramarital affairs. Based on these interviews, it is believed that Pagano was using the embezzled funds to pay for the multiple affairs. On 12/07/2010, Chicago newspapers reported that Pagano was financially maintaining three separate households, creating the public inference that he was supporting multiple girlfriends.

The investigation did identify a possible co-conspirator that may have helped Pagano [REDACTED]

[REDACTED] On [REDACTED] FBI Chicago and the U.S. Department of Transportation conducted an interview of [REDACTED]

[REDACTED] Also present during the interview was [REDACTED]

During the interview, [REDACTED]

[REDACTED] During the interview, [REDACTED]

[REDACTED] Also during the interview, [REDACTED]

Members of the Metra Board of Directors were interviewed and [REDACTED]

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To: Criminal Investigative From: Chicago
Re: 46F-CG-132057, 09/23/2011

[REDACTED]

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For the past eight months, FBI Chicago has been awaiting a decision by the United States Attorneys Office (USAO) on whether or not the FBI may legally have access to [REDACTED]

[REDACTED] In September 2011, the USAO decided that federal agents would be allowed to [REDACTED]

[REDACTED]

On September 08, 2011, writer obtained a subpoena requesting that [REDACTED] The subpoena was served to [REDACTED]

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[REDACTED] Once FBI Chicago receives a copy of [REDACTED]

[REDACTED] FBI Chicago will attempt to pursue charges against [REDACTED] if evidence is uncovered that [REDACTED]

[REDACTED]

This investigation will continue to be worked jointly with the U.S. Department of Transportation Office of Inspector General. The point of contact is Special Agent [REDACTED] telephone number [REDACTED] The assigned prosecutor is Assistant United States Attorney [REDACTED] telephone number [REDACTED]

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To: Criminal Investigative From: Chicago
Re: 46F-CG-132057, 09/23/2011

LEAD(s) :

Set Lead 1: (Info)

CRIMINAL INVESTIGATIVE

AT WASHINGTON, DC

Read and clear.

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UNCLASSIFIED

Precedence: ROUTINE

Date: 11/02/2011

To: Chicago

Attn: SA [REDACTED] WC-2

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From: Chicago

WC-1

Contact: [REDACTED]

Approved By: [REDACTED]

Drafted By: [REDACTED]

Case ID #: 46F-CG-132057 (Pending)

Title: PAGANO, PHIL
EXECUTIVE DIRECTOR OF METRA
THEFT OF FEDERAL FUNDS;
U.S. DEPARTMENT OF TRANSPORTATION

Synopsis: Remove FoA [REDACTED] as an investigator.

Details: Due to the resignation of Forensic Accountant (FoA)
[REDACTED] her role as an investigator should be removed
from the above titled case.

All work completed by FoA [REDACTED] has been copied to a
CD and placed in a 1A.

**

Memorandum

United States Attorney
Northern District of Illinois



Subject

US v Phillip A. Pagano

Date

2-15-2012

To

[Redacted] FBI ✓ [Redacted]
[Redacted] DOT-OIG

From

[Redacted]
First Assistant U.S. Attorney

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This is to advise you that the above-captioned case was declined by this office on February 3, 2012.

If you have any questions about our decision to decline prosecution, please contact Assistant United States Attorney [Redacted]

46F-C6-132057-422



U.S. Department of Justice

Federal Bureau of Investigation

In Reply, Please Refer to
File No.

Chicago, IL
February 28, 2012

PHIL PAGANO;
EXECUTIVE DIRECTOR OF METRA;
THEFT OF FEDERAL FUNDS;
U.S. DEPARTMENT OF TRANSPORTATION

On 05/07/2010, a full investigation was opened regarding the potential theft of federal funds associated with the Chicago Metra train system. The investigation was worked jointly with the U.S. Department of Transportation (DOT) Office of Inspector General (OIG). The point of contact for the DOT OIG is Special Agent [REDACTED] telephone number [REDACTED]

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The investigation was opened after allegations surfaced on 04/22/2010 that Philip A. Pagano (now deceased), the Executive Director of Metra, date of birth 02/25/1950, Social Security Account Number 090-42-1705, residential address 6805 New Hampshire Trail, Crystal Lake, Illinois, had been fraudulently obtaining money from Metra. Specifically, Craines Business News Chicago received information from a reported reliable source that Pagano had fraudulently given himself a \$56,000 bonus on top of his approximately \$266,000 annual salary.

The subsequent FBI/DOT OIG investigation determined that Pagano forged the signature of [REDACTED] on authorization documents and illegally cashed in vacation days. As a result of the forgeries, Pagano received a cash windfall of approximately \$475,000.

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The investigation did not uncover any evidence that Pagano had been embezzling other METRA funds or that Pagano directly stole any federal funds allocated to Metra. Additionally, the investigation did not uncover any evidence that identified any occasion where Pagano used money to bribe public officials as a means to cover up his embezzlement or generate general support for Metra operations.

On Friday, 05/08/2010, Pagano committed suicide by standing in front of a moving Metra train. Pagano had left multiple suicide notes but none of the notes provided any

information as to what Pagano had been using the additional money for. However, in one suicide note left for [REDACTED] PAGANO said that [REDACTED] would learn things about PAGANO that will make them hate [REDACTED]

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During the course of the investigation, multiple women were identified and interviewed who Pagano had been engaging in extramarital affairs. Based on these interviews, it is believed that Pagano was using the embezzled funds to pay for the multiple affairs. On 12/07/2010, Chicago newspapers reported that Pagano was financially maintaining three separate households, creating the public inference that he was supporting multiple girlfriends.

On [REDACTED] FBI Chicago and DOT OIG conducted an interview of [REDACTED]

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[REDACTED]
[REDACTED] During the interview, [REDACTED]

[REDACTED] Also during the interview, [REDACTED]

[REDACTED]
[REDACTED] For approximately eight months, FBI Chicago and DOT OIG awaited a decision by the United States Attorneys Office (USAO) on whether or not agents could legally have access to [REDACTED]

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[REDACTED] In November 2011, the USAO determined that federal agents would be allowed to [REDACTED]

On 01/19/2012, after issuing a federal subpoena, FBI Chicago and DOT OIG obtained [REDACTED]

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On 01/19/2012, a review of the information was conducted by DOT OIG SA [REDACTED]
[REDACTED] Based on the review, [REDACTED]
[REDACTED]

On 01/19/2012, Assistant United States Attorney (AUSA) [REDACTED] telephone number [REDACTED] was notified by FBI Chicago and DOT OIG that all logical investigative steps had been exhausted. No federal stimulus or grant money had been identified as having been fraudulently obtained or used by Pagano. Multiple girlfriends of Pagano's were identified and interviewed and each one stated that Pagano spent money on them, including presents, vacations, and dinners at upscale restaurants. [REDACTED]
[REDACTED]

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[REDACTED] Pagano committed suicide before any formal charges or findings could be filed. Based on these facts, FBI Chicago, DOT OIG, and the USAO in the Northern District of Illinois all concur with closing the captioned investigation. On 02/15/2012, the USAO formally declined prosecution of the captioned case.

It should be noted that there are no pending investigative matters on the part of the FBI. Further, there is no evidence needing to be disposed of or returned by the FBI.

The FBI Chicago Division considers this investigation completed and closed.

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FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE

Date: 02/28/2012

To: Criminal Investigative

Attn: SSA [REDACTED]
Room 3973
Public Corruption Unit

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From: Chicago

WC-2

Contact: SA [REDACTED]

Approved By: [REDACTED]

129/2012

(P1, 2)
[REDACTED]

Drafted By: [REDACTED]

Case ID #: 46F-CG-132057-44 (Pending)

Title: PHIL PAGANO;
EXECUTIVE DIRECTOR OF METRA;
THEFT OF FEDERAL FUNDS;
U.S. DEPARTMENT OF TRANSPORTATION

Synopsis: To advise Criminal Investigative Division, Public Corruption Unit (PCU) of case closing.

Enclosure(s): Enclosed for PCU is an original LHM and one copy. Also enclosed for PCU is one copy of a declination letter issued by the USAO for the captioned investigation.

Details: On 05/07/2010, a full investigation was opened regarding the potential theft of federal funds associated with the Chicago Metra train system. The investigation was worked jointly with the U.S. Department of Transportation (DOT) Office of Inspector General (OIG). The point of contact for the DOT OIG is Special Agent [REDACTED] telephone number [REDACTED]

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The investigation was opened after allegations surfaced on 04/22/2010 that Philip A. Pagano (now deceased), the Executive Director of Metra, date of birth 02/25/1950, Social Security Account Number 090-42-1705, residential address 6805 New Hampshire Trail, Crystal Lake, Illinois, had been fraudulently obtaining money from Metra. Specifically, Craines Business News

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SST,
Please close this case.
Closing code [REDACTED] 3/16/12
46F-CG-132057-44

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To: Criminal Investigative From: Chicago
Re: 46F-CG-132057, 02/28/2012

Chicago received information from a reported reliable source that Pagano had fraudulently given himself a \$56,000 bonus on top of his approximately \$266,000 annual salary.

The subsequent FBI/DOT OIG investigation determined that Pagano forged the signature of [REDACTED] on authorization documents and illegally cashed in vacation days. As a result of the forgeries, Pagano received a cash windfall of approximately \$475,000.

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The investigation did not uncover any evidence that Pagano had been embezzling other METRA funds or that Pagano directly stole any federal funds allocated to Metra. Additionally, the investigation did not uncover any evidence that identified any occasion where Pagano used money to bribe public officials as a means to cover up his embezzlement or generate general support for Metra operations.

On Friday, 05/08/2010, Pagano committed suicide by standing in front of a moving Metra train. Pagano had left multiple suicide notes but none of the notes provided any information as to what Pagano had been using the additional money for. However, in one suicide note left for [REDACTED] PAGANO said that [REDACTED] would learn things about PAGANO that will make them hate [REDACTED]

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During the course of the investigation, multiple women were identified and interviewed who Pagano had been engaging in extramarital affairs. Based on these interviews, it is believed that Pagano was using the embezzled funds to pay for the multiple affairs. On 12/07/2010, Chicago newspapers reported that Pagano was financially maintaining three separate households, creating the public inference that he was supporting multiple girlfriends.

On [REDACTED] FBI Chicago and DOT OIG conducted an interview of [REDACTED]

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[REDACTED] During the interview, [REDACTED]

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To: Criminal Investigative From: Chicago
Re: 46F-CG-132057, 02/28/2012

[redacted] Also
during the interview, [redacted]

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[redacted]
[redacted] Members of the Metra
Board of Directors were interviewed and [redacted]

[redacted]
[redacted] For approximately
eight months, FBI Chicago and DOT OIG awaited a decision by the
United States Attorneys Office (USAO) on whether or not agents
could legally have access to [redacted]
[redacted] In November 2011, the USAO
determined that federal agents would be allowed to [redacted]

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On 01/19/2012, after issuing a federal subpoena, FBI
Chicago and DOT OIG obtained [redacted]

On 01/19/2012, a review of the information was
conducted by DOT OIG SA [redacted]

Based on the review, [redacted]

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On 01/19/2012, Assistant United States Attorney (AUSA)
[redacted] telephone number [redacted] was notified
by FBI Chicago and DOT OIG that all logical investigative steps
had been exhausted. No federal stimulus or grant money had been
identified as having been fraudulently obtained or used by
Pagano. Multiple girlfriends of Pagano's were identified and
interviewed and each one stated that Pagano spent money on them,
including presents, vacations, and dinners at upscale

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To: Criminal Investigative From: Chicago
Re: 46F-CG-132057, 02/28/2012

restaurants. [REDACTED]
[REDACTED]
[REDACTED]

[REDACTED] Pagano committed suicide before any formal charges or findings could be filed. Based on these facts, FBI Chicago, DOT OIG, and the USAO in the Northern District of Illinois all concur with closing the captioned investigation. On 02/15/2012, the USAO formally declined prosecution of the captioned case.

It should be noted that there are no pending investigative matters on the part of the FBI. Further, there is no evidence needing to be disposed of or returned by the FBI.

The FBI Chicago Division considers this investigation completed and closed.

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UNCLASSIFIED

To: Criminal Investigative From: Chicago
Re: 46F-CG-132057, 02/28/2012

LEAD(s) :

Set Lead 1: (Info)

CRIMINAL INVESTIGATIVE

AT WASHINGTON, DC

Read and clear.

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UNCLASSIFIED